

IMPORTANT NOTICE

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

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES (THE “SECURITIES”) AND THE GUARANTEE (EACH AS DESCRIBED IN THE OFFERING CIRCULAR) HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES AND THE GUARANTEE MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

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

Confirmation of Your Representation: You have accessed the attached document on the basis that you have confirmed to Xin Fu (BVI) Co., Limited (the “**Issuer**”), Taizhou Xintai Group Co., Ltd. (泰州鑫泰集團有限公司) (the “**Guarantor**”), Central Wealth Securities Investment Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, CMBC Securities Company Limited, China Galaxy International Securities (Hong Kong) Co., Limited and SunRiver International Securities Group Limited (together the “**Managers**”, and each a “**Manager**”) that: (1) you and any customers you represent are not in the United States, (2) the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, (3) you consent to delivery of this document and any amendments or supplements by electronic transmission, and (4) to the extent you purchase the Securities, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S thereunder.

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

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

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

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

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).

You are reminded that you have accessed the Offering Circular on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located.

Actions that you may not take: If you receive the Offering Circular by e-mail, you should not reply by e-mail to this electronic transmission, and you may not purchase any 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 responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

XIN FU (BVI) CO., LIMITED
(incorporated in the British Virgin Islands with limited liability)
U.S.\$48,000,000 3.85 per cent. Credit Enhanced Bonds due 2025
Unconditionally and Irrevocably Guaranteed by



TAIZHOU XINTAI GROUP CO., LTD.
(泰州鑫泰集團有限公司)
(incorporated in the People's Republic of China with limited liability)
with the benefit of an irrevocable Standby Letter of Credit issued by
Bank of Nanjing, Taizhou Branch
Issue Price: 100.0 per cent.

The 3.85 per cent. credit enhanced bonds in the aggregate principal amount of U.S.\$48,000,000 (the “**Bonds**”) will be issued by Xin Fu (BVI) Co., Limited (the “**Issuer**”) and will be unconditionally and irrevocably guaranteed (the “**Guarantee**”) by Taizhou Xintai Group Co., Ltd. (泰州鑫泰集團有限公司) (the “**Company**” or the “**Guarantor**”), a company incorporated under the laws of the People's Republic of China (the “**PRC**”). The Issuer is an indirectly 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**”) denominated in U.S. dollars and issued by Bank of Nanjing, Taizhou Branch (the “**LC Bank**”). See “Appendix I – Form of Irrevocable Standby Letter of Credit” for the form of the Standby Letter of Credit.

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 laws, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

The Bonds will bear interest on their outstanding principal amount from and including 9 June 2022 (the “**Issue Date**”) at the rate of 3.85 per cent. per annum, and such interest will be payable semi-annually in arrear in equal instalments on 9 June and 9 December in each year (each an “**Interest Payment Date**”), commencing on 9 December 2022.

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

The Guarantor has made an application for the pre-issuance registration (the “**Pre-Issuance Registration**”) in relation to the Bonds with the National Development and Reform Commission (the “**NDRC**”) in accordance with the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (Fa Gai Wai Zi [2015] No. 2044) (the “**NDRC Notice**”) (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) issued by the NDRC which came into effect on 14 September 2015. The Guarantor has received an Enterprise Foreign Debt Filing Registration Certificate dated 9 February 2022 from the NDRC in connection with the Pre-Issuance Registration. Pursuant to the requirements of the NDRC Notice, the Guarantor will be required to file or cause to be filed with the NDRC the requisite information and documents within 10 PRC Business Days (as defined in the Conditions) after the Issue Date (the “**Post-Issuance Filing**”).

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 the Issue Date. The Guarantor will be required to 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 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) on or before the Registration Deadline and comply with all applicable PRC laws and 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 laws, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 9 June 2025 (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 (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent (as defined in the Conditions), at their principal amount (together with interest accrued 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 Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in the Conditions) as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 1 June 2022, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it. See “*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Taxation Reasons*”. At any time following the occurrence of a Relevant Event (as defined in the Conditions), the holder of any Bond will have the right, at such holder’s option, to require the Issuer to redeem all but not some only of that holder’s Bonds on the Put Settlement Date (as defined in the Conditions) at 100 per cent. of their principal amount, together with accrued interest up to but excluding such Put Settlement Date. See “*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Relevant Events*”.

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.

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 document is for distribution to Professional Investors only.

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

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

The SEHK has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Bonds on the 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 the Group or quality of disclosure in this document. 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. Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult their advisers.

Investing in the Bonds involves risks. See “Risk Factors” beginning on page 11 for a discussion of certain factors to be considered in connection with an investment in the Bonds. Investors should take note of the risks in relation to the guaranteed bonds structure with a standby letter of credit supported by the LC Bank. See “Risk Factors – Risks relating to the Bonds, the Guarantee and the Standby Letter of Credit” beginning on page 33 for a discussion of risks associated with the guaranteed bonds structure with a standby letter of credit supported by the LC Bank. Investors should also be aware that there are various other risks relating to the Bonds, the Issuer, the Guarantor and its subsidiaries and the LC Bank, their business and their jurisdictions of operations which investors should familiarise themselves with before making an investment in the Bonds.

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

The PRC government is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds or the Guarantee. This is supported by the recently promulgated Circular of the Ministry of Finance on Matters Concerning Regulating the Investment and Financing Activities of Financial Institutions for Local Governments and State-owned Enterprises (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知, 財金[2018]23號) (the “**MOF Circular**”) promulgated on 28 March 2018 and took effect on the same day, and the Circular of the National Development and Reform Commission and the Ministry of Finance on Improving Market Regulatory Regime and Taking Strict Precautions Against Foreign Debt Risks and Local Government Indebtedness Risks (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知 (發改外資[2018]706號)) (“**Circular 706**”) (together the “**Joint Circular**”) promulgated on 11 May 2018 and took effect on the same day and the Circular of the General Office of the National Development and Reform Commission on Relevant Requirements for Record-filing and Registration of Issuance of Foreign Debts by Local State-owned Enterprises (國家發展改革委辦公廳關於對地方國有企業發行外債申請備案登記有關要求的通知(發改辦外資[2019]666號) (the “**Circular 666**”) promulgated on 6 July 2019 and took effect on the same day. The MOF Circular, the Joint Circular and the Circular 666 do not, however, restrict the PRC government from providing relevant support to our Group, provided that such support is granted in compliance with relevant PRC laws. See “*Risk Factors – Risks relating to the Group’s Business – A reduction or discontinuance of government support could materially and adversely affect the Group’s business, financial condition and results of operations,*” and “*PRC regulations on the administration of the financing platforms and local government debt may have a material impact on the Group’s financing and business models*”.

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

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

Central Wealth Securities Investment Limited

Shanghai Pudong Development Bank Hong Kong Branch

Joint Lead Managers and Joint Bookrunners

CMBC Capital

China Galaxy International

**SunRiver International Securities Group
Limited**

Offering Circular dated 1 June 2022

IMPORTANT NOTICE

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE GUARANTOR OR ANY OF THE GUARANTOR'S OTHER SUBSIDIARIES (COLLECTIVELY, THE "GROUP") OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR 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 Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the Guarantor, the Group and the LC Bank. 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 their 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 Offering Circular 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 Offering Circular and confirms, having made all reasonable enquiries, that (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor, the Group, the Guarantee, the LC Bank, the Standby Letter of Credit and the Bonds which is material in the context of the issue and offering of the Bonds (including all information required by applicable laws and the information which, according to the particular nature of the Issuer, the Guarantor, the Group, the Guarantee, the LC Bank, the Standby Letter of Credit and the Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor, the Group, the LC Bank and the rights attaching to the Guarantee, the Standby Letter of Credit and the Bonds), (ii) the statements contained in this Offering Circular relating to the Issuer, the Guarantor, the Group, the LC Bank 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 Offering Circular 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 LC Bank, the Guarantee, the Standby Letter of Credit or the Bonds, 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 Offering Circular 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 Offering Circular; (vi) this Offering Circular 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 Offering Circular, are based on or derived or extracted from sources which the Issuer and the Guarantor believe to be accurate and reliable in all material respects.

Notwithstanding the foregoing, the information included in this Offering Circular regarding the LC Bank 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 Managers (as defined below), the Trustee and the Agents (in each case as defined herein) or their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them has independently verified such information. No representation or warranty, express or implied, is made or given by the Issuer, the Guarantor, the Managers, the Trustee or the Agents or 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.

This Offering Circular 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 Offering Circular. The distribution of this Offering Circular, the offering of the Bonds and the giving of the Guarantee in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, Central Wealth Securities Investment Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, CMBC Securities Company Limited, China Galaxy International Securities (Hong Kong) Co., Limited and SunRiver International Securities Group Limited to inform

themselves about and to observe any such restrictions. No action is being taken to permit the giving of the Guarantee and the Standby Letter of Credit or the distribution of this Offering Circular or any offering or publicity material relating to the Bonds in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the 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 Offering Circular, see “*Subscription and Sale*”. By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, Bonds. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

No person has been or is authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular 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 Managers, the Trustee or the Agents (as defined in the Conditions) or their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the 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 Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them to subscribe for or purchase the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

None of the Managers, the Trustee 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 Offering Circular. None of the Managers, the Trustee 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 Offering Circular or any information supplied in connection with the Bonds, the Guarantee and the Standby Letter of Credit. Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers, the Trustee or the Agents, or any person who controls any of them, or any of their respective directors, officers, employees, agents, representatives, advisers 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 Managers, the Trustee 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 Offering Circular or for any other statement made or purported to be made by a Manager, the Trustee 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 Managers, the Trustee 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 Offering Circular or any such statement. None of the Managers, the Trustee 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 Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Managers, the

Trustee 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 Offering Circular 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 Offering Circular 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 Managers, the Trustee, 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 Offering Circular should subscribe for or purchase any Bonds. Each recipient of this Offering Circular 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.

Listing of the Bonds on the SEHK is not to be taken as an indication of the merits of the offering of the Bonds, the Issuer, the Guarantor, the Group, their respective subsidiaries, their respective associated companies (if any), the Guarantee or the quality of disclosure in this Offering Circular. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor, the Group, the terms of the offering of the Bonds or the Guarantee, including the merits and risks involved. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

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 Offering Circular is provided solely for the purpose of enabling the recipient to consider purchasing the Bonds. The investors or prospective investors should read this Offering Circular carefully before making a decision regarding whether or not to purchase the Bonds. This Offering Circular cannot be used for any other purpose and any information in this Offering Circular cannot be disclosed to any other person. This Offering Circular 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 Offering Circular summarises certain material documents and other information, and the Issuer, the Guarantor, the LC Bank and the Managers refer the recipient of this Offering Circular to them for a more complete understanding of what is contained in this Offering Circular. None of the Issuer, the Guarantor, the Group, the LC Bank, the Managers, the Trustee 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 Offering Circular should not consider any information in this Offering Circular 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 Offering Circular have not been reviewed by any regulatory authority of any jurisdiction. Investors are advised to exercise caution in relation to the offer. If any investor is in any doubt about any of the contents of this Offering Circular, that investor should obtain independent professional advice.

Industry and Market Data

Market data and certain industry forecasts used throughout this Offering Circular have been obtained based on, among other sources, internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed by the Issuer and 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 Managers, the Trustee or the Agents or their respective affiliates, directors, employees, representatives, agents, officers or advisers or any person who controls any of them 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.

CERTAIN TERMS AND CONVENTIONS AND CURRENCY PRESENTATION

This Offering Circular has been prepared using a number of conventions, which investors should consider when reading the information contained herein. Unless indicated otherwise, in this Offering Circular all references to (i) the “**Issuer**” are to Xin Fu (BVI) Co., Limited, (ii) the “**Guarantor**” or the “**Company**” are to Taizhou Xintai Group Co., Ltd. (泰州鑫泰集團有限公司) and (iii) the “**Group**” are to the Guarantor and its direct and indirect subsidiaries, taken as a whole.

Unless otherwise specified or the context otherwise requires, references to “**Hong Kong**” are to the Hong Kong Special Administrative Region of the People’s Republic of China, to the “**PRC**” or “**China**” are to the People’s Republic of China, for the purpose of this Offering Circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, to the “**U.S.**” or “**United States**” are to the United States of America, to “**CNY**”, “**Renminbi**” or “**RMB**” are to the lawful currency of the PRC, and to “**U.S.\$**” or “**U.S. dollars**” are to the lawful currency of the United States of America. All references to “**Mu**” are to the unit of land areas, and one Mu equals to approximately 0.1647 acres.

Unless otherwise stated in this Offering Circular, all translations from Renminbi into U.S. dollars were made at the rate of CNY 6.3726 to U.S.\$ 1.00, the noon buying rate in New York City for cable transfers payable in Renminbi on 30 December 2021 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 Offering Circular are provided solely for investors’ convenience and no representation is made that the amounts referred to herein have been, could have been or could be converted into U.S. dollars or Renminbi, or vice versa, at any particular rate or at all.

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

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, 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.

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

- “**GDP**” refers to gross domestic product;
- “**IFRS**” refers to the International Financial Reporting Standards;
- “**MOF**” refers to the Ministry of Finance of the People’s Republic of China;
- “**MOFCOM**” refers to the Ministry of Commerce of the People’s Republic of China;
- “**NDRC**” refers to the National Development and Reform Commission of the People’s Republic of China or its competent local counterparts;
- “**NDRC Circular**” refers to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資 [2015] 2044 號)) issued by the NDRC;
- “**PBOC**” refers to the People’s Bank of China, the central bank of the People’s Republic of China;
- the “**PRC government**” refers to the central government of the People’s Republic of China and its political subdivisions, including provincial, municipal and other regional or local government entities, and instrumentalities thereof, or where the context requires, any of them;

- “**SAFE**” refers to the State Administration of Foreign Exchange of the People’s Republic of China or its competent local counterparts;
- “**SAT**” refers to the State Administration of Taxation of the People’s Republic of China;
- “**SCNPC**” refers to the Standing Committee of the National People’s Congress of the People’s Republic of China;
- “**State Council**” refers to the State Council of the People’s Republic of China;
- “**Taizhou CBZ**” refers to Taizhou Comprehensive Bonded Zone (泰州綜合保稅區);
- “**Taizhou EDZ**” refers to Taizhou Economic Development Zone (泰州經濟開發區);
- “**Taizhou EDZ Management Committee**” refers to Taizhou Economic Development Zone Management Committee (泰州經濟開發區管理委員會);
- “**Taizhou Medical High-tech Zone**” refers to Taizhou Medical New and High-tech Industrial Development Zone (泰州醫藥高新技術產業開發區);
- “**Taizhou Municipal Government**” refers to the Municipal Government of Taizhou;
- “**Taizhou SASAC**” refers to the State-Owned Assets Supervision and Administration Commission of the Taizhou Municipal Government or its competent local counterpart; and
- “**VAT**” refers to value-added tax.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains forward-looking statements. The forward-looking statements contain information regarding, among other things, the Group's future operations, performance, financial condition, expansion plans and business strategy. These forward-looking statements are based on the Group's current expectations and projections about future events. Although the Group believes 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;
- financial condition, performance and business prospects of the Group;
- the Group's expenditure plans and its 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 the Group provides;
- macroeconomic measures taken by the PRC government to manage economic growth;
- the Group's business strategy and plan of operation;
- fluctuations in interest rates and the availability of credit;
- various business opportunities that the Group may pursue;
- natural disasters, industrial action, terrorist attacks and other event beyond the control of the Group; and
- those other risks identified in the "Risk Factors" section of this Offering Circular.

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 the Issuer, the Guarantor, the Group or the LC Bank discussed in this Offering Circular regarding matters that are not historical fact. Although the Group believes that the expectations reflected in the forward-looking statements are reasonable, the Group can give no assurance that such expectations will prove correct. The Group undertakes 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 Offering Circular, the forward-looking statements in this Offering Circular are not and should not be construed as assurances of future performance and the Issuer's, the Guarantor's and the Group's actual results could differ materially from those anticipated in those forward-looking statements.

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SUMMARY

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

OVERVIEW

The Group is a leading investment, financing and operating platform for urban development in Taizhou City, Jiangsu Province and also the main investment, financing and operating entity for urban development in Taizhou Medical High-tech Zone. The Company is wholly owned by Taizhou SASAC. Since its establishment in September 2001, the Group has been focusing on urban development and infrastructure construction in Taizhou Medical High-tech Zone, particularly in Taizhou EDZ and Taizhou CBZ situated therein, by undertaking and completing a large number of strategically important urban development projects. Leveraging on the thriving development of Taizhou Medical High-tech Zone in recent years, strong shareholder support and its diversified businesses, the Group has established itself as a well-known state-owned investment, financing and operating platform in Taizhou City and played an important role in the development of Taizhou Medical High-tech Zone.

Taizhou City is a prefecture-level city in the centre of Jiangsu Province located on the north bank of the lower reaches of the Yangtze River. Due to its convenient location, Taizhou City is well connected to neighbouring cities such as Nantong and Yangzhou and thus serves as an important transportation hub within Jiangsu Province. As a key city along the “Yangtze River Economic Belt” and with the benefits flowing from the development of Taizhou Medical High-tech Zone, the first of its kind in the PRC, Taizhou City has experienced significant economic growth in recent years, making it stand out among all the cities in Jiangsu Province. According to the Taizhou Municipal Statistics Bureau (泰州市統計局), Taizhou City achieved a GDP of approximately RMB602.5 billion in 2021, representing a growth rate of 10.1 per cent. as compared to 2020. In addition, per capita disposable income of Taizhou City reached an amount of RMB43,777 in 2021, representing a growth of 10.3 per cent. as compared to 2020. Leveraging the development of Taizhou City, Taizhou Medical High-tech Zone, as the primary platform to undertake the development of Taizhou medical industry, has developed rapidly and become increasingly prominent in recent years with the establishment and investment of numerous medical enterprises in Taizhou Medical High-tech Zone, and this has provided great development opportunities for the Group’s businesses.

The Group’s principal business segments are as follows:

- *Relocation Housing Development.* The Group is the primary entity to undertake relocation housing development business in Taizhou EDZ and Taizhou CBZ and has involved since its establishment in a large number of key relocation housing development projects within Taizhou EDZ and Taizhou CBZ. As at 31 December 2021, the Group had completed a number of relocation housing development projects, among which there were three major projects at sale, which were also included in the relocation housing development plan of Jiangsu Province.
- *Infrastructure Construction.* The Group is the main operating entity carrying out urban development in Taizhou Medical High-tech Zone, with primary focus on infrastructure construction within Taizhou EDZ and Taizhou CBZ. Since its establishment in 2001, the Group has undertaken a large number of infrastructure projects in Taizhou EDZ and Taizhou CBZ, including the construction of roads, standard workshops, ancillary infrastructure and various public facilities.
- *Commercial Product Sales.* The Group’s commercial product sales business involves sales of new and used automobiles, automobile parts and accessories, and automobile maintenance services. The Group has a solid relationship with a network of well-established authorised automobile stores primarily operating in Taizhou City.
- *Trading.* The Group trades a wide variety of products, including without limitation chromite, coal products, high carbon ferro-chrome, polyvinyl chloride, purified terephthalic acid and chemical plastic products.

In addition to the principal business segments of relocation housing development, infrastructure construction, commercial product sales and trading, the Group also engages in other business activities which include sewage treatment, engineering construction, warehousing and property leasing.

COMPETITIVE STRENGTHS

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

- A main investment, financing and operating platform with a proven track record in Taizhou Medical High-tech Zone that has extensive experience and strong presence in urban development;
- Well-positioned to leverage the significant development potential of Taizhou Medical High-tech Zone to achieve business growth;
- Strong support from the Group's shareholder;
- Diversified business portfolio;
- Sufficient capital from diversified financing channels; and
- Sound corporate governance with experienced senior management team and quality employees.

BUSINESS STRATEGIES

The Group aims to maintain its leading position in Taizhou City for urban development while at the same time diversifying its business portfolio. With the business philosophy of operating and developing with stability and diversity, the Group intends to focus on the following business strategies.

- Actively respond to the development strategies of Taizhou City, in particular Taizhou Medical High-tech Zone;
- Continue to focus on the urban development of Taizhou Medical High-tech Zone;
- Continue to diversify the Group's business portfolio and cultivate new businesses that synergise with the Group's core business;
- Continue to diversify the Group's financing channels; and
- Enhance the Group's management capabilities and optimise the structure of its talent pool.

THE OFFERING

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

Issuer	Xin Fu (BVI) Co., Limited.
Guarantor	Taizhou Xintai Group Co., Ltd. (泰州鑫泰集團有限公司).
LC Bank	Bank of Nanjing, Taizhou Branch.
Issue	U.S.\$48,000,000 3.85 per cent. Credit Enhanced Bonds due 2025.
Guarantee	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.
Issue Price	100.0 per cent.
Form, Specified Denomination and Title	The Bonds will be issued in registered form in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
Interest	The Bonds will bear interest on their outstanding principal amount from and including 9 June 2022 at the rate of 3.85 per cent. per annum, payable semi-annually in arrear in equal instalments on 9 June and 9 December in each year (each an “ Interest Payment Date ”) commencing on 9 December 2022.
Issue Date	9 June 2022.
Maturity Date	9 June 2025.
Use of Proceeds	The net proceeds from the offering of the Bonds will be used for the refinancing of the Issuer’s existing offshore indebtedness. See “ <i>Use of Proceeds</i> ”.
Standby Letter of Credit	The Bonds will have the benefit of the Standby Letter of Credit issued by the LC Bank in favour of the Trustee, on behalf of itself and the holders of the Bonds. 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 the Conditions and/or failed to provide the Required Confirmations (as defined in the Conditions) in accordance with Condition 4(b) or (ii) an Event of Default (as defined in Condition 10) has occurred and the Trustee has given notice to the Issuer that the Bonds are immediately due and payable in accordance with Condition 10.

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

Such drawing on the Standby Letter of Credit will be payable in U.S. dollars in immediately available funds 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 Guarantee, the Trust Deed and/or the Agency Agreement and/or any other transaction documents relating to the Bonds 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 Guarantee, the Trust Deed and/or the Agency Agreement and/or any other transaction documents relating to the Bonds.

The LC Bank's aggregate liability under the Standby Letter of Credit shall be expressed and payable in U.S. dollars and shall not in any circumstances exceed U.S.\$49,924,000, which includes an amount representing (i) the aggregate principal amount of U.S.\$48,000,000 of the Bonds plus interest payable for one interest period (being six months) in accordance with the Conditions) and (ii) U.S.\$1,000,000.00 being the maximum amount payable under the Standby Letter of Credit for any fees, costs, expenses, indemnity payments and all other amounts payable to the Trustee under or in connection with the Bonds, the Trust Deed, the Deed of Guarantee, the Agency Agreement and/or any other transaction document relating to the Bonds. The Standby Letter of Credit takes effect from the Issue Date and shall remain valid and in full force until 5:30 p.m. (Hong Kong time) on 9 July 2025.

See "*Terms and Conditions of the Bonds — Standby Letter of Credit and Pre-funding — Standby Letter of Credit*" and "*Appendix I — 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 10:00 a.m. (Hong Kong time) on the Business Day falling ten (10) 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 or by way of a scanned copy in an email (x) a Payment and Solvency Certificate signed by any Authorised Signatory (as defined in the Trust Deed) 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**”).

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 notification), 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 (1) as soon as reasonably practicable notify the LC Bank and the LC Proceeds Account Bank by facsimile or by SWIFT of the occurrence of the Pre-funding Failure and (2) send the notice (the “**Pre-funding Failure Notice**”) to the Bondholders by 6:00 p.m. (Hong Kong time) on the second Business Day 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 (3) by no later than 5:30 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 to the Trustee under or in connection with the Bonds, the Guarantee, the Trust Deed, the Agency Agreement and/or any other transaction documents 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 (followed by the original of that Demand) as contemplated in the Standby Letter of Credit). Following receipt by the LC Bank of such Demand by 5:30 p.m. (Hong Kong time) on a Business Day, the LC Bank shall by 10:00 a.m. (Hong Kong time) on the fifth Business Day after the Business Day on which it receives such Demand (or, if such Demand is received after 5:30 p.m. (Hong Kong time) on a Business Day, then on the sixth Business Day after the Business Day on which it receives such Demand), pay to or to the order of the Trustee the amount in U.S. dollars specified in the Demand in immediately available funds to the account specified in the Demand.

“**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 generally open for business in Hong Kong, Beijing and New York City.

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

Status of the Bonds

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 at all times

	rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.
Status of the Guarantee	The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable 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 described under " <i>Terms and Conditions of the Bonds — Events of Default</i> ", including without limitation, certain events of default in respect of the LC Bank, the Trustee at its discretion may, and if so directed by an Extraordinary Resolution or so requested by Bondholders holding at least 25 per cent. in aggregate principal amount of the Bonds then outstanding, shall (provided in any such case 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 due and payable. Upon any such notice being given to the Issuer, the Bonds shall immediately become due and payable at their principal amount together (if applicable) with accrued interest.
Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the British Virgin Islands or the PRC or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law. Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC at a rate up to and including the aggregate rate applicable on 1 June 2022 (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 (i) by or within the PRC in excess of the Applicable Rate or (ii) by or within the British Virgin Islands, 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, subject to certain exceptions. See "<i>Terms and Conditions of the Bonds — Taxation</i>".
Final Redemption	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 9 June 2025.
Redemption for Taxation Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount (together with interest accrued 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 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, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 1 June 2022, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due. See *“Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Taxation Reasons”*.

Redemption for Relevant Events

At any time following the occurrence of a Relevant Event, the holder of any Bond will have the right, at such holder’s option, to require the Issuer to redeem all but not some only of that holder’s Bonds on the Put Settlement Date at 100 per cent. of their principal amount, together in each case with interest accrued up to but excluding such Put Settlement Date. See *“Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Relevant Events”*.

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

- (i) (a) Taizhou SASAC, (b) the Taizhou Municipal Government and (c) any person Controlled by Taizhou SASAC and/or the Taizhou Municipal Government and/or the government of Jiangsu Province, together cease to hold or own directly or indirectly 100 per cent. of the issued share capital of the Guarantor; or
- (ii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of its assets to one or more persons other than Taizhou SASAC, the Taizhou Municipal Government and any other person Controlled by Taizhou SASAC and/or the Taizhou Municipal Government and/or the government of Jiangsu Province; or
- (iii) the Guarantor ceases to own, directly or indirectly, 100 per cent. of the issued share capital of the Issuer.

“Control” of any person means

- (i) the ownership or control of at least 50.1 per cent. of the voting rights of the issued share capital of the relevant person, or
- (ii) the right to appoint and/or remove at least a majority of the members of the relevant person’s board of directors or other governing body.

Mandatory Redemption upon Pre-funding Failure

The Bonds shall be redeemed in whole, but not in part, 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 to, but

	excluding, the Mandatory Redemption Date), provided that if the holder of any Bond shall have exercised its right to require the Issuer to redeem its Bond pursuant to 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, all the Bonds then outstanding shall be redeemed in whole, but not in part, at their principal amount in accordance with Condition 7(d) on the Put Settlement Date, together with interest accrued to, but excluding, such Put Settlement Date, and the term “Mandatory Redemption Date” shall be construed accordingly.
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 and first payment of interest on them and the timing for complying with the Registration Conditions, the making or submission of the Post-Issuance Filing and the submission and completion of the Cross-Border Security Registration and the giving of consequent notices thereof) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in the Conditions to the Bonds include (unless the context requires otherwise) any further bonds issued pursuant to Condition 16. See “<i>Terms and Conditions of the Bonds – Further Issues</i>”.
Clearing Systems	The Bonds will be represented by beneficial interests in a 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 and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except in the limited circumstances as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.
Governing Law and Jurisdiction.....	English law. Exclusive jurisdiction of the Hong Kong courts.
Trustee	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
Principal Paying Agent, Registrar and Transfer Agent	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
LC Proceeds Account Bank and Pre-funding Account Bank	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
Listing	Application will be made to the SEHK for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on 10 June 2022.
Selling Restrictions	The Bonds have not been and will not be registered under the Securities Act or under any state securities laws of the United States, are being offered only outside the United States in reliance of Regulation S of the Securities Act and will be subject to

customary restrictions on transfer and resale. See “*Subscription and Sale*”.

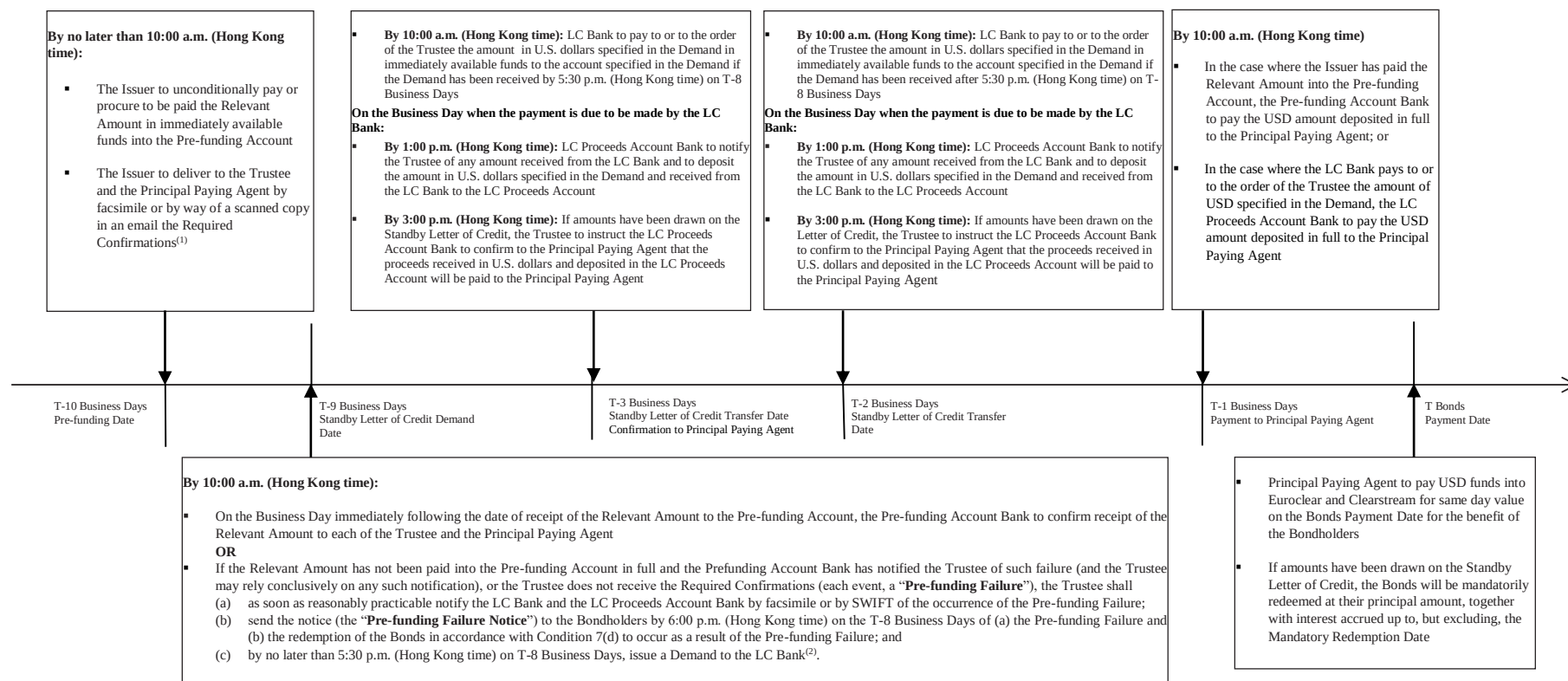
Legal Entity Identifier..... 3003009LR3ABSP3CWC13.

ISIN..... XS2485417096.

Common Code 248541709.

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

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



Notes:

- (1) the Required Confirmations consist of: (x) a Payment and Solvency Certificate signed by any Authorised Signatory 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.
- (2) 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 as contemplated in the Standby Letter of Credit).

RISK FACTORS

An investment in the Bonds is subject to a number of risks. Investors should carefully consider all of the information in this Offering Circular and, in particular, the risks described below, before deciding to invest in the Bonds. The following describes some of the significant risks relating to the Group, its business, the market in which the Group operates and the value of Bonds. Some risks may be unknown to the Issuer or the Guarantor and other risks, currently believed to be immaterial, could in fact be material. Any of these could materially and adversely affect the business, financial condition, results of operations or prospects of the Issuer, the Guarantor and the Group or the value of the Bonds. The Issuer and the Guarantor believe that the risk factors described below represent the principal risks inherent in investing in the Bonds, but the ability of the Issuer and/or the Guarantor to pay interest, principal or other amounts on or in connection with any Bonds may be affected by some factors that may not be considered as significant risks by the Issuer and/or the Guarantor on information currently available to them or which they are currently unable to anticipate. All of these factors are contingencies which may or may not occur and the Issuer and the Guarantor are not in a position to express a view on the likelihood of any such contingency occurring. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular.

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

RISKS RELATING TO THE GROUP'S BUSINESS

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

The Group operates its business primarily in Taizhou City, Jiangsu Province, focusing mainly on urban development, relocation housing development, infrastructure construction, commercial product sales and sewage treatment. Therefore, its business, financial condition, results of operations and prospects have been and will continue to be heavily dependent on the level of economic development of Taizhou City and the PRC.

Economic conditions in the PRC generally and in Taizhou City in particular are key factors affecting the development of Taizhou City. China's economy has experienced rapid growth in the past 40 years, however, there has been a slowdown in the growth rate beginning in the second half of 2013. According to the National Statistics Bureau of the PRC, the annual growth rate of China's GDP slowed down from 7.8 per cent. in 2013 to 2.3 per cent. in 2020. During the same period, the annual growth rate of GDP in Taizhou City slowed down from 10.8 per cent. to 3.6 per cent. Although the annual growth rate of the PRC and Taizhou City's GDP in 2021 bounced back to 8.1 per cent. and 10.1 per cent., respectively, there is no assurance that the level of economic development of the PRC will continue to grow at the same rates seen in previous years. There is also no assurance that the level of economic development in Taizhou City will continue to grow at the rates seen in recent years. Any continuing slowdown in the economic development in Taizhou City may affect its development plans, which may decrease the demand for the Group's business and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group's business and prospects depend to a large extent upon the policies and public spending of Taizhou Municipal Government on urban development, relocation housing development and infrastructure construction in Taizhou, particularly in Taizhou EDZ and Taizhou CBZ.

The Company is wholly-owned by Taizhou SASAC, which is under the direct administration of Taizhou Municipal Government (泰州市政府). As the main investment, financing and operating entity for urban development in Taizhou Medical High-tech Zone, the Group is tasked to implement Taizhou Municipal Government's plans to undertake relocation housing development and infrastructure construction projects in Taizhou City, particularly in Taizhou EDZ and Taizhou CBZ, and its business and prospects has been, and may continue to be, heavily affected by the policies as well as budget and spending of Taizhou Municipal Government on urban development, relocation housing development and infrastructure construction in Taizhou Medical High-tech Zone, particularly for Taizhou EDZ and Taizhou CBZ situated therein.

For example, the Group's infrastructure construction projects are generally conducted under the agent construction model, where the Group enters into agent construction agreements with the relevant competent authorities of Taizhou Municipal Government. See "*Description of the Group – Description of the Group's Business*" for more details. The Group's cash flow from these projects is derived from the funds paid by the relevant authorities of Taizhou Municipal Government relating to the infrastructure construction.

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

PRC regulations on the administration of the financing platforms and local government debt will have a material impact on the Group's financing and business models.

The PRC government has in recent years issued multiple regulations intended to restrict the ability of local governments to use state-owned enterprises to incur debt that should be directly incurred by government bodies. These regulations include: the Notice on Strengthening the Administration of Local Government Financing Vehicles (Guo Fa [2010] No. 19) (關於加強地方政府融資平臺公司管理有關問題的通知 (國發[2010]19號)) ("Circular 19") in June 2010, 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 Notice on Further Regulating Issuance of Bonds by Local Government Financing Vehicles (Fa Gai Ban Cai Jin [2010] No. 2881) (關於進一步規範地方政府投融資平臺公司發行債券行為有關問題的通知 (發改辦財金[2010]2881號)) released by the NDRC issued in November 2010 ("Circular 2881"), 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, 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").

According to Circular 2881, in addition to the relevant assets composition requirements under Circular 19, the financing vehicles of a local government, such as the Company, must rely on their internal operating cash flow to finance the payment of more than 70 per cent. of the cash requirements for repaying their corporate bonds issued in the PRC. If revenue from the construction of public interest projects represents more than 30 per cent. of their total revenue, the financing vehicles should provide the authorities that review the application of corporate bonds issuance with information relating to the balance of the local government's debts and other detailed information to demonstrate the local government's comprehensive financial capacity. In addition, it reinforces the

requirements under Circular 19 which prohibit local governments from providing guarantees or credits to secure the debts of its financing vehicles through financial funds and state-owned assets of administrative institutions, or any direct or indirect means. As of the date of this Offering Circular, the Group has not received any notice from any governmental authority that it is not in compliance with Circular 2881.

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 obtain financing 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 offering circulars 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. For further details on the Debt Control Circulars, please see "PRC Regulations".

The Group believes that the PRC government will continue to implement the Debt Control Circulars to control local government debts. Accordingly, the Group should rely on the cash flow generated from its operations and external borrowings for financing its operating activities and to satisfy its cash needs for servicing its outstanding indebtedness. Pursuant to the terms of the Bonds and as required by the Debt Control Circulars, neither Taizhou 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 the Group, and the obligations of the Group under the Bonds or the Trust Deed shall solely be fulfilled by the Group as independent legal persons. The liability of Taizhou Municipal Government is limited to its equity contribution in the Group. If the Group does not fulfil its obligations under the Bonds and the Trust Deed, the Bondholders will only have recourse against the Group, and not Taizhou 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 the Group's financing and business model and also its indebtedness will not be materially affected by future changes in the regulatory regime concerning the financing platforms of local governments in response to such regulations.

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

With the Guarantor wholly owned by Taizhou SASAC, the Group regularly receives financial support and certain preferential treatment from Taizhou Municipal Government. This support comes in various forms, such as favourable policies, government subsidies, asset transfers, capital injections and tax incentives. However, there is no assurance that Taizhou Municipal Government and Taizhou SASAC will continue to provide such support to the Group 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 the Group is reduced or discontinued in the future, the Group's business, financial condition, results of operations and prospects would be materially and adversely affected. In addition, the controlling relationship between the Guarantor and Taizhou SASAC, being a government organ of the Taizhou Municipal Government, does not necessarily correlate to or provide any assurance as to the financial condition of the Group. The repayment obligation under the Bonds remains the sole obligations of the Issuer and/or the Guarantor.

Taizhou SASAC and Taizhou Municipal Government may exert significant influence on the Group, and could cause the Group to make decisions or modify the scope of its operations, or impose new obligations on the Group, which may not be in the Group's best interests or may not maximise the Group's profits.

The Company is beneficially owned and controlled by Taizhou Municipal Government with Taizhou SASAC as its sole shareholder. As the Company's sole shareholder, Taizhou SASAC participates in and closely monitors the Group's decision-making process for key projects, reviews the Group's development strategy and investment plans and appoints, and conducts annual appraisals on, the directors and supervisors of the Company. Because of the involvement of Taizhou SASAC in the affairs of the Group as the Company's sole shareholder, there can be

no assurance that Taizhou SASAC will not interfere with the business and operations of the Group, and any such interference may have a material adverse effect on the Group's business, financial position, results of operations, financial performance and prospects.

In addition, Taizhou Municipal Government and Taizhou SASAC may also exert significant influence on the Group's major business decisions and strategies, including the scope of its operations, investment decisions and dividend policy. There is no assurance that Taizhou Municipal Government and Taizhou SASAC would always make decisions in the Group's best interests or with the aim of maximising the Group's profits. For example, Taizhou SASAC may influence the Group's business and strategy in a manner beneficial to Taizhou City as a whole but not necessarily in the Group's best interests. Taizhou 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 the Group's business, financial condition, results of operations and prospects.

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

Historically, the Group's operating income and results of operations ever fluctuated. There is no assurance that whether such fluctuation may occur from period to period in the future 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 the Group operates, the adjustment of the Group's principal business activities, the Group's ability to develop and complete relocation housing construction and infrastructure construction on time, as well as its accounting policies for revenue recognition. As a result, the Group's operating income and results of operations for any period may not be directly comparable with other periods and therefore may not be a useful indicator of its performance in the future.

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

The Group's business requires and will continue to require substantial capital expenditure. The Group has historically satisfied its capital requirements with cash flows generated from its operating activities, bank loans, bonds issuance and other borrowings and equity contributions from its shareholder.

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

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

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

The Group relies primarily on bank loans and proceeds from bond issuances to satisfy its capital requirements and the Group has had a significant amount of outstanding indebtedness. Substantial indebtedness could impact on the Group's businesses in a number of ways, including:

- requiring the Group to dedicate part of its operating cash flow to service its indebtedness before it receives government funding;

- increasing the Group's finance costs, thus affecting the overall profits of the Group;
- limiting the Group's flexibility in planning for or responding to changes in the Group's businesses and the industries in which it operates;
- limiting, together with the financial and other restrictive covenants of the Group's indebtedness, among other things, the Group's ability to borrow additional funds; and
- increasing the Group's vulnerability to adverse general economic and industry conditions.

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

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

Certain financing contracts entered into by members of the Group contain operational and financial restrictions on the Group or, as the case may be, the relevant subsidiary's business that 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 the Company or any of its relevant subsidiaries (as borrower) to meet such financial restrictions may be affected by events beyond its control. Such restrictions may also negatively affect the Group's ability to respond to changes in market conditions, take advantage of business opportunities the Group believes to be desirable, obtain future financing, fund capital expenditures, or withstand a continuing or future downturn in its business. Any of these factors could materially and adversely affect the Group's ability to satisfy its obligations under the Bonds and other debt.

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

The Group's borrowings may be secured. Third-party security rights may limit the Group's use of the underlying collateral assets and adversely affect its operational efficiency. If the Company and its subsidiaries are unable to service and repay their debts under such loan facilities on a timely basis, the assets provided as security for such bank loans may be subject to foreclosure, which may adversely affect the Group's business, prospects and financial condition.

The Group may cease to enjoy shareholder support, the loss or reduction of which could adversely affect the Group's business and results of operations.

The Group has historically enjoyed the support provided by its shareholder for the development of the Group, such as guidance on business strategies, capital injections and asset transfers. See also "Description of the Group – History and Development" for more details. The Group benefitted from such support in its 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 shareholder support may be reduced or even cease in the future, which may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

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

The historical financial information of the Group included in this Offering Circular is not indicative of its future financial results. This financial information is not intended to represent or predict the results of operations of any future periods. The Group's future results of operations may change materially if its future growth does not follow the historical trends for various reasons, including factors beyond its control, such as changes in economic environment, PRC environmental rules and regulations and the competitive landscape of the industries in which the Group operates its business. Furthermore, the future results of operations of the Group may also fluctuate or change materially due to the business model of the Group and the accounting treatments applied thereto. Since historical financial information of the Group may not be indicative of its current or future results of operations, there is no assurance that the Group will not record an operating loss in the future, which may have a negative effect on the Group's financial condition, results of operations and prospects.

The Group's business may be affected by natural disasters, epidemics and other acts of God.

The Group's business is subject to general economic and social conditions in the PRC. Market factors, such as economic growth rates, consumer spending, business investment, government spending, real estate markets, the volatility and strength of the global economy as well as natural disasters, epidemics, acts of wars, acts of terrorism and other acts of God which are beyond the Group's control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC are under the threat of earthquake, sandstorm, snowstorm, fire and drought. For instance, two serious earthquakes hit Sichuan province in May 2008 and April 2013 and resulted in significant loss of lives and destruction of assets in the region. In addition, occurrences of epidemics, such as Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu, human swine flu (also known as Influenza A or H1N1), H7N9, Zika Virus Disease or the Coronavirus Disease 2019 (COVID-19), depending on their scale, have caused different degrees of damage to the national and local economies in the PRC.

In particular, uncertain economic conditions, volatility and disruptions in the global economy, such as the ongoing COVID-19 global pandemic, may further create negative economic impact and increase volatility in the PRC and global market which can have a material adverse effect on the Group. The on-going COVID-19 pandemic has resulted in many countries, including China, Japan, the United States, members of the European Union and the United Kingdom, declaring a state of emergency and imposing extensive business and travel restrictions with a view to containing the pandemic. Widespread reductions in consumption, industrial production and business activities arising from the COVID-19 pandemic will significantly disrupt the global economy and global markets and is likely to result in a global economic recession which may then affect the PRC. See also “— *Risks Relating to the PRC — The PRC has experienced a slowdown in its economic development and the future performance of the PRC's economy is uncertain*”.

The administrative actions taken by local governments in the PRC to control the spread of COVID-19 may have an adverse impact on the Group's businesses. Supply of raw materials and productivity may be adversely affected. The completion of projects may be delayed and sales might be lower than expected, which might adversely affect profitability and cash flows of the Group. Furthermore, the Group's operating incomes are currently derived mainly from its PRC operations, any labour shortages, or slowdown in the growth of domestic consumption in the PRC could materially and adversely affect the business, results of operations, financial condition and prospects of the Group.

The recent outbreak of COVID-19 or a recurrence of SARS or an outbreak of any other epidemics in the PRC, such as the H5N1 or the H7N9 avian flu, especially in the cities where the Group has operations, may delay completion of the Group's projects in operation and under construction as scheduled, causing substantial increase in development costs which may result in a material impact on the Group's related business, which in turn may adversely affect its financial conditions, business, prospects and results of operations. In addition, if any of the employees of the Group are affected by any severe communicable disease including COVID-19, it may involve a temporary closure of the facilities of the Group to prevent the spread of the disease, which could materially and adversely affect the business, results of operations, financial condition and prospects of the Group. The spread of any severe communicable disease may also affect the operations of the customers and suppliers of the Group,

which could in turn materially and adversely affect the business, results of operations, financial condition and prospects of the Group.

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

The Group's audited consolidated financial statements included in this Offering Circular have been prepared and presented in accordance with PRC GAAP. PRC GAAP is substantially in line with IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment. Each investor should consult its own professional advisers for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

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

The Group's inventory level is affected by a number of factors, such as Taizhou Municipal Government's commitment, ability and priority to pay for its funds and the Group's ability to execute the development of its projects according to its business plans. These factors may in turn be affected by the controlling measures of the PRC Government on urban development and the government's macroeconomic and monetary policies.

The Group's inventories mainly comprise development costs, land to be developed and stock goods. Such development costs and land to be developed booked as inventories on the Group's consolidated balance sheet are illiquid assets and may not be sold for cash in an efficient manner. This may limit the Group's ability to respond to changing economic, financial and investment conditions. There is no assurance that it will be able to sell any of these real properties or infrastructure projects to other third parties for price or on the terms satisfactory to them.

The Group had made provision for inventory price changes in the past in accordance with its accounting policies. Any failure to effectively manage the Group's inventory level will have a material impact on the Group's cash flow and adversely affect its ability to carry on ordinary business activities and to serve its outstanding indebtedness, such as the Bonds, which in turn could materially and adversely affect the Group's business, financial condition, results of operations or prospects.

The Group faces risks associated with contracting with public bodies.

As a state-owned enterprise wholly-owned by Taizhou SASAC mainly undertaking the urban development of Taizhou City with a focus on relocation housing development and infrastructure construction in Taizhou EDZ and Taizhou CBZ, the Group collaborates with various governmental authorities and their controlled entities in Taizhou. As such, the Group is exposed to certain inherent risks relating to dealing with public bodies.

Although the Company believes that the Group currently maintains working relationships with those governmental authorities and entities relevant to its 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 the Group's, take actions contrary to the Group's requests, strategies or objectives, be unable or unwilling to fulfil their obligations, encounter financial difficulties, or have disputes with the Group 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 the Group to change its business plans and materially affect its business and operating results. If there is any material disagreement between the Group and the governmental authorities or any of their controlled entities, there is no assurance that the Group will successfully resolve them in a timely manner, or at all. Any dispute or legal proceeding with or against 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 the Group and the governmental authorities and their controlled entities affected, and in turn materially and adversely affect the Group's business, financial condition, results of operations and prospects.

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

The Group operates its businesses through a number of subsidiaries and associated companies in multiple industries. Through these subsidiaries and associated companies, the Group engages in the businesses, including without limitation, relocation housing development, infrastructure construction, commercial product sales, sewage treatment, property leasing, trade and warehousing. As such, the Group is exposed to risks associated with multiple businesses. The Group is exposed to business, market and regulatory risks relating to different industries and markets, and may from time to time expand its businesses to new industries and markets in which it has limited operating experience. It needs to devote substantial resources to become familiar with, and monitor changes in, different operating environments so that it can succeed in its businesses.

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

The Company provides funding and other support to certain of its subsidiaries. For instance, the Company provides loan guarantees to certain subsidiaries. If a subsidiary defaults on any guarantees provided by the Company, the Company will repay the payment of the loan guaranteed for the subsidiary. The occurrence of either of these types of events may result in a funding shortage at the Company level and may materially and adversely affect the Company's ability to provide financial support to its other subsidiaries. If the Company's financial or non-financial support ceases or diminishes for any reason, the operations of the relevant subsidiaries may be materially and adversely affected, which in turn may have a material and adverse impact on the Group's business, financial condition and results of operations.

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

Certain business activities of the Group, such as infrastructure construction, relocation housing development and sewage treatment, 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 the Group to conduct its 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. The Group may encounter problems in obtaining or renewing the permits, licences, certificates and government authorisations necessary to conduct its business and may be unable to comply with new laws, regulations or policies. In addition, to ensure the restrictions and conditions of relevant business permits, licences and certificates are fulfilled, governmental authorities normally conduct regular or special inspections, investigations and inquiries. If any significant non-compliance is found by the governmental authorities, the Group's permits, licences and certificates may be suspended or revoked, and it may receive fines or other forms of penalties, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

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

The Group has substantial indebtedness outstanding. Any material fluctuation in interest rates may have a material impact on the Group's interest expenses and payables under its bank loans and in turn affect its results of operations. The PRC government from time to time adjusted interest rates as implementation of the PRC government's economic and monetary policies. Beginning in 2008, PBOC lowered the benchmark one-year lending rate several times. On 20 July 2013, pursuant to the Notice on Further Promoting the Market-oriented Interest Rate Reform (中國人民銀行關於進一步推進利率市場化改革的通知), the PBOC abolished the regulation of the benchmark lending rates for financial institutions and began allowing lending rates to be determined by financial institutions pursuant to market principles, known as the loan prime rate (the "LPR"). 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 enter into floating rate loan contracts based on the benchmark lending rates after 1 January 2020, and, in principle, the shift of pricing benchmark for existing floating rate loans from the benchmark lending rates to the LPR should be completed before 31 August 2020. Although the Group's financial condition and results of operations may benefit from a low-interest environment,

there is no assurance that this environment will continue, nor can any assurance be given that the PRC government will not change or modify the measures in relation to interest rates in the future. In addition, any increase in the LPR in the future will increase the Group's financing costs and adversely affect its profitability, financial condition and results of operations.

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

The Group may from time to time expand its businesses to new industries and markets in which it has limited operating experience. Such expansion may require the Group to devote substantial resources to become familiar with, and monitor changes in, different operating environments so that it can succeed in its business. The Group was originally established for the purpose of urban development including infrastructure construction and relocation housing development in Taizhou City. In recent years, the Group has diversified its business into new areas, such as commercial product sales, trading, sewage treatment and warehousing. The Group plans to continue to expand businesses while maintaining sustainable growth of its existing businesses and create synergies among its business segments. The Group's ability to successfully develop its new businesses and implement this strategy depends on its ability to identify attractive projects, obtain required approvals from relevant regulatory authorities, obtain sufficient capital on acceptable terms in a timely manner and maintain working relationships with various governmental authorities and agencies. The success of negotiations with respect to any particular project cannot be assured. There can be no assurance that the Group will be able to successfully expand its businesses, implement its growth strategy, manage or integrate newly-acquired operations with the Group's existing operations. Failure to develop new businesses or implement the Group's growth strategy could have a material adverse impact on its business, financial condition and results of operations.

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

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

The Group's relocation housing development is exposed to certain risks associated with resettlement of indigenous residents.

Some of the Group's relocation housing development projects involve resettlement of local residents. The Group develops and provides substitute properties in some cases to relocated residents as compensation for their resettlement. If any indigenous resident or business is dissatisfied with the compensation or the substitute properties and refuses to move, the relevant entity within the local government will seek to resolve the dispute by negotiating with the relevant resident or business to reach a mutually acceptable relocation compensation arrangement, or apply to the relevant land authority for its determination on whether the relocation compensation and relocation timetable is in compliance with PRC law. The relevant land authority will then make a decision as to the proper relocation compensation and timetable. There is no assurance that the relocation of indigenous residents or businesses will proceed smoothly or that they will agree to the compensation. Any delays affecting such relocations may result in delays in the Group's development schedules and/or increases in the Group's development costs, any of which could have a material adverse effect on its business, financial condition and results of operations.

All of the Group's relocation housing development and infrastructure construction projects are based in a single geographical region.

Substantially all of the Group's current and anticipated relocation housing development and infrastructure construction projects are located in Taizhou City. Any material region-wide adverse events may negatively impact the demand for relocation housing development and infrastructure construction development projects in Taizhou City, which would in turn affect revenue 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 Taizhou City, slowdown in the relocation housing development and infrastructure construction sector, decrease in investor confidence within the region, significant natural disasters and man-made incidents. Due to the limited geographical coverage of its operations, the Group may not be able to effectively manage any potential losses arising from these adverse events, which may materially and adversely affect the Group's business, financial condition and results of operations.

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

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

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

Some of the Group's relocation housing development and infrastructure construction projects are conducted under a business model where the Group undertakes 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, the Group incurs 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 bears the risk of pre-paying costs and expenditures for each project. Therefore, any delay or default in the payments to the Group may increase the Group's cash flow pressure which will in turn increase its financial vulnerability and adversely affect its financial condition and results of operations. As at the date of this Offering Circular, the Group has not experienced any significant delay in payments by 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.

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

There are a number of construction, financing, operating and other risks associated with the relocation housing development and infrastructure construction projects of the Group. Projects that the Group undertakes typically require substantial capital expenditures during the construction or development phase and can take a substantial period of time to complete. The time taken and the costs involved in completing these projects can be adversely affected by many factors, including shortages of materials, equipment and labour costs, adverse weather conditions, natural disasters, terrorism, labour disputes, disputes with sub-contractors, accidents, changes in governmental priorities and other unforeseen circumstances, many of which are out of the Group's control. Any of these could give rise to delays in the completion of the Group's projects and may result in liabilities, reduced

efficiency and lower financial returns, which may in turn materially and adversely affect the Group's business, financial condition and results of operations.

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

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

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

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

The Group relies on the cooperation with authorised automobile sales stores to operate its automobile sales business. If one or more of these cooperations are terminated or not renewed, its business, results of operations and prospects could be materially and adversely affected.

The Group generally enters into cooperation agreements with authorised automobile sales stores for the purchases, sales and after-sales service with respect to automobiles, automobile parts and accessories within Taizhou. Therefore, the Group relies on such authorised automobile stores for the supply of new passenger vehicles for its automobile sales business. The cooperation agreements the Group enters into generally have a certain term, and need to be renewed upon expiration by the parties with mutual agreement. However, it is possible that the Group may not be able to renew such cooperation agreements on a timely basis, on commercially acceptable terms, or at all. If any of the foregoing events occurs, the Group's business, results of operations, financial condition and growth prospects may be materially and adversely affected.

The profitability of the automobile sales business of the Group may be negatively affected if the Group cannot obtain favorable terms from the automobile suppliers or the purchase cost for the automobiles arises.

The Group generates profits from the differences between the purchase cost it pays for the authorised automobile sales stores and the corresponding actual resale price of the automobiles the Group sells to its customers. The Group has a solid relationship with a network of well-established authorised automobile stores primarily operating in Taizhou City and is generally able to obtain favorable terms for purchase of automobiles due to volume-based purchases. For more information on the business model of the automobile sales business, please see "Description of the Group – Description of the Group's Business – Commercial Product Sales".

However, there can be no assurance that the Group will continue to obtain favorable terms from such automobile stores if the Group cannot maintain the solid relationships with them or failure to meet any requirements or conditions set by them to be eligible for favorable terms. In addition, the purchase cost for the automobiles may

also arise due to the reasons beyond the control of the Group. Any increase in the Group's purchase cost which the Group could not effectively pass on to its customers could adversely affect its results of operations and the profitability.

The Group generates a majority of its revenues for automobile sales business from sales of vehicles from a limited number of brands.

The Group derives a majority portion of its revenues for automobile sales business from vehicle sales from a limited number of brands. The Group believes it has maintained good relations with the automobile suppliers in Taizhou from where it purchases automobiles, but there is no assurance that the Group will be able to continue to maintain its current relationships with any of such automobile suppliers nor can there be any assurance that the major brands that the Group carries will continue to be well-received by its current or future customers due to changes in consumer tastes or other conditions beyond its control. If any automobile suppliers of the Group for these limited brands (i) decides to terminate or decline to renew authorisations to the Group for any reason, such as breach of contract or failure to meet certain sales quotas for any given period, or (ii) the manufacturer of such vehicles experiences adverse changes in their financial condition, ability to design, manufacture or market new passenger vehicles or maintain the popularity of the respective brands, the business, results of operations, financial condition and growth prospects of the Group may be materially and adversely affected.

The automobile sales business may not be able to maintain its current level of profitability, as vehicle sales business is a relatively low-margin business and sensitive to economic conditions.

The vehicle sales business is characterised by a high volume of sales with relatively low profit margins. Any increase in the Group's cost of sales driven by an increase in the purchase price of automobiles from the suppliers which the Group could not effectively pass on to its customers could adversely affect the Group's gross profit margin. In addition, (i) any change in the competitive landscape and market competition in the automobile sales market in China, especially in Taizhou City, (ii) any change in the Group's brand mix, or (iii) any change in the Group's product mix, may further affect the total gross profit margin of the automobile sales business. A material decrease in the Group's gross profit margin may materially and adversely affect its net profit and profitability, as well as its operating cash flow and liquidity position.

Volatility in demand in China for automobiles could materially and adversely affect the Group's results of operation.

The demand for automobiles in China is cyclical in nature and is affected by various factors, including sales and financing incentives, costs of raw materials, parts and components, cost of fuel, environmental concerns and governmental regulations, including tariffs, import regulation and other taxes. Fluctuations in demand may lead to lower vehicle sales, which may adversely affect the Group's financial condition and results of operations. Please also refer to “– Volatility in fuel prices may materially and adversely affect demand for automobiles, which may pose a negative effect on the Group's business of automobile sales” and “– Anti-traffic congestion and anti-pollution measures of certain PRC cities may restrict local demand for automobiles”.

The Group's growth and profitability in relation to the automobile sales business depend on the level of consumer confidence and spending in its major markets.

The Group's automobile sales business is sensitive to changes in overall economic and political conditions that affect consumer spending in its major markets and consumer purchases tend to decline during economic downturns. There are a number of factors that are beyond the Group's control, including interest rates, recession, inflation and deflation, energy costs and availability, consumer credit availability and terms, availability of consumer finance, tax rates and policy and unemployment trends influencing consumer confidence in spending. The domestic and international political environment, including military conflicts and political instability, may also affect consumer confidence in spending and may lead to a general reduction in the level of consumer spending which could in turn materially and adversely affect the Group's growth and profitability.

Volatility in fuel prices may materially and adversely affect demand for automobiles, which may pose a negative effect on the Group's business of automobile sales.

Fuel prices are inherently volatile and cyclical. Increases in fuel prices may result in a decrease in demand from customers for purchasing automobiles due to increased costs in operating vehicles. If fuel prices increase or remain at high levels in the future, consumers may choose to use alternative transportation vehicles which may materially

and adversely affect the demand for the Group's products, which may have a negative impact on its sales and profitability.

Anti-traffic congestion and anti-pollution measures of certain PRC cities may restrict local demand for automobiles.

Automobile sales may be affected by quotas or other measures imposed by local government to control the number of automobiles as anti-traffic congestion measures. Changes in local economic conditions, the competitive environment and governmental policies could materially and adversely affect the Group's business, financial condition, results of operations and growth prospects. Seeking to curb traffic congestion and pollution, Shanghai, Beijing, Tianjin, Guangzhou, Guiyang, Hangzhou and Shenzhen have imposed restrictions on automobile purchases. If local and regional governments implement similar policies and regulations in the markets where the Group operates, particularly for Taizhou City, to restrict the ability of potential customers to purchase automobiles, this may reduce customer demand for automobiles. As a result, the Group's automobile sales business in the affected regions may be negatively affected, which may have a materially adverse effect on the Group's business, results of operations and growth prospects.

The Group's automobile sales business and results of operations are subject to the compliance by its suppliers of the applicable laws, regulations, rules, requirements and approvals, licenses and permits.

For the automobile sales business of the Group, the Group's automobile suppliers are required to hold a variety of approvals, licenses and permits for their operations. Because the Group does not monitor or have direct control over its automobile suppliers, the Group cannot assure that they are in compliance with the relevant regulations and requirements. The Group relies on the automobile suppliers to operate in compliance with the relevant regulations and requirements in order to effectively operate its business. Any loss of or failure by the Group or the Group's automobile suppliers to obtain or renew our approvals, licenses, or permits could disrupt the Group's operations and any fines or other penalties imposed by the PRC government on the Group or the Group's automobile suppliers could materially and adversely affect the Group's results of operations, financial condition and reputation.

Product defects and automobiles recalls may adversely affect the Group's operations.

Automobile suppliers may recall certain models of their automobiles due to product defects and other problems from time to time. According to PRC law, the Group shall facilitate manufacturer recalls, but it is generally not liable for costs associated with such recalls. Nevertheless, consumer confidence in the safety or quality of the recalled models or the brands in general may be significantly impaired by such recalls, which could result in cancellation of orders the Group receives and reduction in the Group's sales, as well as harm to the Group's reputation. Additionally, as the Group does not have direct control over the operations of the automobile suppliers that supply the Group's automobiles, the Group cannot guarantee product quality or that the automobile suppliers which supplied the Group with defective products in the past will not do so in the future, nor can there be any assurance that the automobiles will be in compliance with the relevant laws and industry regulations. In addition, complying with recalls requires that the Group diverts a portion of its labour and managerial resources away from the normal course of the Group's business. Accordingly, any automobile recalls in the future may have a material adverse effect on the Group's business, results of operations, financial condition and reputation in the future.

Any failure by the Group to maintain relationships with its major suppliers or customers for the trading business would have an adverse effect on the Group's results of operations.

The Group relies on some major suppliers and customers for the trading business. There can be no assurance that the Group will be able to maintain or improve its relationships with its major suppliers or customers, or that it will be able to continue to purchase products from these suppliers for these customers at current pricing and levels or at all. In addition, any decline in its major suppliers' or customer's businesses could lead to a decline in supply from these suppliers or a decline in demand from these customers. If any of the Group's major suppliers or major customers were to substantially reduce the size or value of the supply or the size or value of the demand, as the case may be, it provides or requests with the Group or terminates its business relationship with the Group entirely, the Group may not be able to obtain supply from other suppliers to replace any such lost supply on comparable terms or at all or obtain demand from other customers to replace any such lost demand on comparable terms or at all. If any of these relationships were to be so terminated and the Group were unable to obtain replacement, the business, financial condition, results of operations and prospects of the Group may be materially and adversely affected.

The Group's trading businesses are exposed to declines in the current and expected volumes of supply or demand for commodities, commodity prices and deterioration in economic and financial conditions.

The current and expected volumes of supply and demand for the commodities markets in which the Group is active vary over time based on changes in resource availability, government policies and regulation, costs of production, global and regional economic conditions, demand in end markets for products in which the commodities are used, technological developments (including commodity substitutions), fluctuations in global production capacity, global and regional weather conditions and natural disasters. Furthermore, changes in current and expected supply and demand conditions impact the current and expected future prices (and thus the price curve) of each commodity. Declines in the price of commodities or increase of volume of commodities in the market could materially adversely impact the Group's business, results of operations and earnings in its trading business. In addition, a decline in economic and financial conditions globally or in a specific country, region or sector may have a material adverse effect on the Group's business, results of operations or earnings. For example: the insolvency of key suppliers, particularly those with whom the Group has long-term supply or off-take contracts, could result in supply chain difficulties and/or unmatched commodity price exposures and/or a reduction in commodities available for the Group; and although most commodities' fixed pricing periods are relatively short, a significant reduction or increase in commodity prices could result in customers or suppliers, as the case may be, being unwilling or unable to honour their contractual commitments to purchase or sell commodities on pre-agreed pricing terms.

Increased environmental standards may result in increased costs for the Group in relation to the sewage treatment business.

With increased importance being placed on environmental protection and sustainable development as part of national policy, environmental standards imposed by laws and regulations are expected to become more stringent. While this regulatory development is expected to result in business opportunities, such increased standards may also result in increased costs in delivering the Group's sewage treatment services. The Group may, for example, be required to invest in better technology in order to meet higher sewage treatment standards while achieving efficiency at the same time. Further, the increase in the breadth and depth of environmental protection laws may also lead to increased compliance costs in the Group's operation of sewage treatment.

The Group's sewage treatment business is subject to risks associated with technological changes.

There are rapid changes and improvements in the technology and equipment for sewage treatment. The Group's sewage treatment technologies must pass rigorous testing and field trials, which can be time-consuming and expensive. The commencement and completion of the tests and field trials are subject to various risks such as delays in producing or failure to produce test results, data or analysis, inadequate or inconclusive results, changes in regulatory policies or industry standards or delays by government or regulatory authorities. Changes in regulations or standards for sewage treatment in the regions where the Group conducts its business may also necessitate the use of new technologies or the improvement of its existing technologies. Any failure to adopt, develop or implement new technologies may materially and adversely affect our business, prospects, financial condition and results of operations.

The Group is exposed to significant risks relating to its operation of sewage treatment, including natural disasters and other disruptive events, and its insurance policies may not provide adequate coverage.

Significant damage or other impediments to sewage treatment system managed by the Group as a result of (i) natural disasters, such as, but not limited to, earthquakes, floods, prolonged droughts and typhoons; (ii) human-error in operating the water supply, sewage treatment and waste treatment systems; and (iii) protests and other forms of opposition by environmental interest groups, such as lawsuits or demonstrations, among others, may materially harm our business, financial condition and results of operations. The Group may maintain insurance against, some but not all, of these events, but the insurance may not be adequate to cover any direct or indirect losses or liabilities the Group may suffer.

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

Many of the Group's businesses are labour intensive. The Group also relies on third-party contractors to carry out relocation housing development and infrastructure construction development 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 the Group or the contractors participating in the Group's projects.

The PRC Labour Contract Law (中華人民共和國勞動合同法) became effective on 1 January 2008 and was amended on 28 December 2012. The amended PRC Labour Contract Law took effect on 1 July 2013. 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. If the employee has worked for more than six months but less than one year, the amount of compensation payment is equal to one month's wage of the employee; if his/her length of service with the employer is less than six months, the employee shall be paid economic compensation of half a month's wages. 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. A stated objective of 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 is that by 2020 all workers shall receive paid annual leave. As a result of the PRC Labour Contract Law, the Regulations on Paid Annual Leave for Employees and the National Leisure and Tourism Outline 2013-2020, the Group's labour costs (inclusive of those incurred by contractors) may increase.

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

As such, labour shortages, labour disputes or increases in labour costs of the Group or third-party contractors could directly or indirectly prevent or hinder the construction progress, and, if not resolved in a timely manner, could lead to delays in completing the Group's projects which could materially and adversely affect the Group's business, prospects and results of operations.

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

The Group's other account receivables, which mainly consisted of the outstanding amounts owed by Taizhou Port Development Co., Ltd., Taizhou EDZ Management Committee and Taizhou Mingda Infrastructure Construction Co., Ltd. to the Group, accounted for a relatively large percentage to the current assets of the Group. According to the Group's accounting policies, the Group will make provisions for overdue receivables in its balance sheet as a reserve against the future recognition of certain accounts receivable or as bad debt. There are inherent risks associated with the government and the Group's other customers' ability to make timely payments and their failure to make timely payments could materially and adversely affect the Group's liquidity and in turn affect its business, financial condition or results of operations.

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

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

- operating limitations imposed by environmental or other regulatory requirements;
- defective quality of the real estate properties it develops;

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

The Group maintains limited insurance policies, but in the construction projects, the Group usually requires the contractors to maintain the insurance coverage for the projects, which the Group believes 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 the contractors of the Group, claims under these insurance policies may not be honoured fully or on time, or the insurance coverage may not be sufficient to cover the costs incurred in the Group's operations related to the above-mentioned operational risks. There are also certain types of losses (such as from wars, acts of terrorism or acts of God, business interruption, property risks and third party (public) liability) that generally are not insured because they are either uninsurable or not economically insurable. To the extent that the Group or any of its subsidiaries suffers loss or damage that is not covered by insurance or that exceeds the limit of the insurance coverage, the Group's results of operations and cash flow may be materially and adversely affected.

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

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

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

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

In addition, the Group's success depends on its ability to attract and retain key personnel who possess in-depth knowledge and understanding of the industries in which the Group invests or operates. These key personnel include members of the Group's 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 the Group to offer higher compensation and other benefits in order to attract and retain qualified professionals, which could materially and adversely affect the Group's financial

condition and results of operations. As a result, the Group may be unable to attract or retain these personnel to achieve its business objectives and the failure to do so could severely disrupt its business and prospects. For example, the Group may not be able to hire enough qualified personnel to support its new investment projects or business expansion. As the Group expands its business or hires new employees, 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 loss to the Group and adversely affect its revenue and financial condition.

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

- The Group may be exposed to fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties that could subject it to financial losses and sanctions imposed by governmental authorities, which in turn could affect its reputation. Such misconduct could include:
- hiding unauthorised or unsuccessful activities, resulting in unknown and unmanaged risks or losses;
- intentionally concealing material facts, or failing to perform necessary due diligence procedures designed to identify potential risks, which are material to the Group in deciding whether to make investments or dispose of assets;
- improperly using or disclosing confidential information;
- recommending products, services or transactions that are not suitable for the Group's customers;
- misappropriation of funds;
- conducting transactions that exceed authorised limits;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities when marketing or selling products;
- engaging in unauthorised or excessive transactions to the detriment of the Group's customers;
- making or accepting bribes;
- conducting any inside dealing; or
- otherwise not complying with applicable laws or the Group's internal policies and procedures.

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

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

Financial risks are inherent in the Group's businesses. Although 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 its businesses, there is no assurance that these systems and procedures will prevent any loss that affects the Group's financial conditions. In addition, many of the 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 the Group's businesses, results of operations and financial conditions.

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

The Group publishes 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 the Group is derived from the Group's management accounts and normally is not audited nor reviewed by independent auditors. Unless specifically included in this Offering Circular, such financial information does not form part of this Offering Circular, 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. The Group is 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. The Group's published financial information in the PRC may be adjusted or restated by the Group to address retrospective impacts of subsequent changes in applicable accounting standards, the Group's accounting policies and/or applicable laws and regulations affecting the Group's 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 its 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 Offering Circular on the other hand.

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

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

The Group's business may be affected by natural disasters, epidemics and other acts of God.

The Group's business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God which are beyond the Group's control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC are under the threat of earthquake, sandstorm, snowstorm, fire and drought. For instance, two serious earthquakes hit Sichuan Province in May 2008 and April 2013 and resulted in significant loss of lives and destruction of assets in the region. In addition, past occurrences of epidemics, such as Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu, human swine flu (also known as Influenza A or H1N1) or the recent cases of H7N9, depending on their scale, have caused different degrees of damage to the national and local economies in the PRC. A recurrence of SARS or an outbreak of any other epidemics in the PRC, such as the H5N1 or the H7N9 avian flu, especially in the cities where the Group has operations, may result in a material influence on the Group's related business, which in turn may adversely affect its financial condition and results of operations.

RISKS RELATING TO THE PRC

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

Substantially all of the Group's assets are located in the PRC and substantially all of the Group's operating income is sourced from the PRC. Accordingly, the Group's results of operations, financial position and prospects are subject, to a significant degree, to economic, political and legal developments in the PRC. The economy of China experienced rapid growth in the past 40 years. There has been a slowdown in the growth of China's GDP since the second half of 2013 which has raised market concerns that the historic rapid growth of the economy of China

may not be sustainable. According to the National Statistics Bureau of the PRC, the annual growth rate of China's GDP slowed down to 6.0 per cent. in 2019 and further to 2.3 per cent. in 2020 on a year-on-year basis compared to 7.4 per cent. in 2014. Though China experienced an increase of 8.1 per cent. in GDP on year-on-year basis in 2021, there is no assurance whether such increase will continue in the further. Any slow-down in the PRC economy may create a credit-tightening environment, increase the Group's financing costs, or reduce government subsidies to the Group, resulting in a material adverse effect on its business, results of operations and financial condition.

The future performance of China's economy is not only affected by the economic and monetary policies of the PRC government, but is also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world. For example, the international trade environment and various governments' trade and economic policies, particularly the recent trade conflicts between China and the United States, may cause uncertainties to China's economy and financial, foreign exchange and capital markets. There is also substantial uncertainty relating to the impact of the United Kingdom's withdrawal from the European Union on the economic conditions of other part of the world, such as China's, including but not limited to further decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of the pound sterling and euro against other leading currencies) and a possible economic recession involving more countries and areas. On 11 March 2020, the World Health Organisation declared COVID-19 as a global pandemic. The COVID-19 pandemic has resulted in a number of countries declaring a state of emergency and a number of countries, including China, Japan, the United States, members of the European Union and the United Kingdom, imposing extensive business and travel restrictions with a view to containing the pandemic. Widespread reductions in consumption, industrial production and business activities arising from the COVID-19 pandemic will significantly disrupt the global economy and global markets and is likely to result in a global economic recession. In addition, COVID-19 has led to significant volatility in the global markets across all asset classes, including stocks, bonds, oil and other commodities and this volatility may persist for some time.

As such, there continues to be uncertainty for the overall prospects for the global and the PRC economies this year and beyond. Any material change in the financial markets, the PRC economy or regional economies as a result of these events or developments may materially and adversely affect Group's business, financial condition and results of operations. See “— *Risks Relating to the Group's Business — The Group's business may be affected by natural disasters, epidemics and other acts of God.*”

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

Substantially all of the Group's assets are located in the PRC, and substantially all of the Group's operating income is derived from the Group's operations in the PRC. Accordingly, the Group's financial condition, results of operations and prospects are, to a material extent, subject to economic, political and legal developments in the PRC. 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 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 China 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 is no assurance that the PRC government will continue to pursue the economic reforms or that any such reforms will not have an adverse effect on the Group's business.

The Group's operations and financial results could also be affected by changes in political, economic and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof). If the PRC's economic growth slows down or if the PRC economy experiences a recession, the growth of demands for the Group's products and services may also slow down or stop, and its business prospects may be materially and adversely affected. The Group's operations and financial results, as well as its ability to satisfy its obligations under the Bonds, could also be materially and adversely affected by changes to or introduction of measures to control 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 PRC laws and regulations involve significant uncertainties.

As substantially all of the Group's businesses are conducted, and substantially all of the Group's assets are located, in the PRC, the Group's operations are governed principally by PRC laws and regulations. The Chinese legal system is based on written statutes. Prior court decisions may be cited for reference but are not binding on subsequent cases and have limited precedential value. Since 1979, the Chinese legislative bodies have promulgated laws and regulations dealing with such economic matters as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, these laws and regulations involve significant uncertainties. As the Chinese legal system develops, there is no assurance that changes in such laws and regulations, or in their interpretation or enforcement, will not have a material adverse effect on the business operations.

In addition, many of the PRC laws and regulations are relatively new and evolving, subject to different interpretations, and may be inconsistently implemented and enforced. Only limited volumes of published court decisions may be cited for reference, and such cases have limited precedential value as they are not binding on subsequent cases. These uncertainties relating to the interpretation, implementation and enforcement of PRC laws and regulations and a system of jurisprudence that gives only limited precedential value to prior court decisions can affect the legal remedies and protections available to investors, and can adversely affect the value of Bondholders' investments.

For example, the NDRC issued the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (Fa Gai Wai Zi [2015] No. 2044) (國家發展改革委關於推進企業發行外債備案證記制管理改革的通知 (發改外資 [2015] 2044 號)), ("**NDRC Circular 2044**") on 14 September 2015, which came into effect on the same day. According to the NDRC Circular 2044, if a PRC enterprise or an offshore enterprise controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a maturity of more than one year, the enterprise must, prior to issuing such bonds, register the issuance with the NDRC and obtain a registration certificate from the NDRC in respect of the issuance (an "**NDRC pre-issuance registration certificate**"). Such enterprise must also file certain details of the bonds with NDRC (an "**NDRC post-issuance filing**") within 10 business days of the completion of the bond issuance. As NDRC Circular 2044 is still uncertain how the NDRC will further interpret, implement and enforce the NDRC Circular 2044. As a result, there is a risk that an NDRC post-issuance notification may not be completed in time or at all although under the Conditions, the Guarantor has undertaken to file or cause to be filed with the NDRC the requisite information and documents within 10 PRC Business Days after the Issue Date in accordance with the NDRC Notice and any implementation rules, notices, regulations and guidelines as issued by the NDRC from time to time and comply with all applicable PRC laws and regulations in relation to the issue of the Bonds and the Guarantee.

Furthermore, the administration of PRC laws and regulations may be subject to a certain degree of discretion by the executive authorities. This has resulted in the outcome of dispute resolutions not being as consistent or predictable compared to more developed jurisdictions. In addition, it may be difficult to obtain a swift and equitable enforcement of laws in China, or the enforcement of judgments by a court of another jurisdiction. These uncertainties relating to the interpretation and implementation of PRC laws and regulations may adversely affect the legal protections and remedies that are available to the Group in its operations and to the Bondholders.

Investors may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in the PRC based on English or other foreign laws against the Guarantor and its directors, supervisors or senior management.

The Guarantor is a company incorporated under the laws of the PRC with substantially all of its assets located in China. In addition, most of its directors, supervisors and members of its senior management reside within China, and substantially all of the assets owned by these persons are located within China. As a result, it may not be possible to effect service of process initiated outside China upon its directors, supervisors, executive officers or members of its respective senior management, including with respect to matters arising under applicable securities laws. Furthermore, an original action may be brought in the PRC against the Guarantor, or its directors, supervisors, executive officers or members of its respective senior management only if the actions are not required to be arbitrated by PRC law and their respective articles of association, and only if the facts alleged in the complaint give rise to a cause of action under PRC law. In connection with any such original action, a PRC court may award civil liability, including monetary damages.

The PRC has not entered into treaties or arrangements providing for the recognition of judgments made by courts of most other jurisdictions. On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the “**Arrangement**”), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a “choice of court” agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final court judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a “choice of court” agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A “choice of court” agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute do not enter into a “choice of court” agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against the Guarantor’s assets or the Guarantor’s directors in the PRC in order to seek recognition and enforcement for foreign judgments in the PRC.

On 18 January 2019, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters between the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the “**2019 Arrangement**”), which seeks to establish a bilateral legal mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between the courts of Hong Kong and the PRC. The 2019 Arrangement will be implemented by local legislation in Hong Kong and will take effect after both Hong Kong and the PRC have completed the necessary procedures to enable implementation and shall apply to judgments made by the courts of Hong Kong and the PRC on or after the date of the commencement of the 2019 Arrangement. Upon commencement of the 2019 Arrangement, the Choice of Court Arrangement shall be terminated, except for “choice of court” agreements in writing made between parties before the commencement of the 2019 Arrangement, in which case the Choice of Court Arrangement shall continue to apply. However, the recognition and enforcement of judgments rendered by a Hong Kong court in the PRC are subject to the provisions, limits, procedures and other terms and requirements of the 2019 Arrangement. There can be no assurance that investors can successfully effect service of process against the Issuer or the Issuer’s directors or members of its senior management in the PRC and/or to seek recognition and enforcement for judgments rendered by a Hong Kong court in the PRC.

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

The PRC government’s control of currency conversion and the fluctuation of the Renminbi may materially and adversely affect the Group’s operations and financial results.

The Group receives substantially all of its operating income in Renminbi, which currently is not a freely convertible currency. A portion of these operating income must be converted into other currencies to allow the Group 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. In 2020, Renminbi experienced an appreciation in value against the U.S. dollar as compared to 2019. 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 the Group's foreign currency-denominated assets. Conversely, any significant depreciation of the Renminbi may adversely affect the value of the Group's businesses and its proceeds from the Issue. In addition, there are limited instruments available for the Group to reduce its foreign currency risk exposure at reasonable costs. All of these factors could materially and adversely affect the Group's businesses, financial conditions and results of operations.

The operations of the Group may be affected by rising inflation rates within the PRC.

Economic growth in the PRC has historically been accompanied by periods of high inflation. The PRC government has implemented various policies from time to time to control inflation. The PRC government has periodically introduced measures in certain sectors to avoid overheating of the economy, including tighter bank lending policies, increases in bank interest rates, and measures to curb inflation, which have resulted in a decrease in the rate of inflation. However, inflation rates within the PRC have been on a sharp uptrend in recent years. Increasing inflation rates are due to many factors beyond the Group's control, such as rising food prices, rising production and labour costs, high lending levels, PRC and foreign governmental policies and regulations, and movements in exchange rates and interest rates. It is impossible to accurately predict future inflationary trends. As a result, further inflationary pressures within the PRC may have a material adverse effect on the Group's business and financial condition and results of operations, as well as its liquidity and profitability.

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

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

The PRC government's pilot plan to replace business tax with value-added tax (the "VAT") may subject the Group to more taxes, which could adversely affect the Group's business, results of operations and prospects.

In November 2011, the MOF and the State Administration of Taxation (the "SAT") promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (營業稅改徵增值稅試點方案). Pursuant to this pilot plan and relevant subsequent notices, from 1 January 2012, VAT gradually replaced business tax in the transport and post industry, telecom industry and some of the modern service industries in the PRC. Under the pilot plan, a VAT rate of six per cent. applies to certain modern service industries. On 23 March 2016, the MOF and the SAT promulgated the Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-Added Tax to Replace Business Tax (關於全面推開營業稅改徵增值稅試點的通知) ("Circular 36"). Pursuant to Circular 36, starting from 1 May 2016, the VAT pilot programme will cover construction industry, real estate industry, finance industry and life service industry on a nation-wide basis. On 19 November 2017, the Interim Regulations of the PRC on Business Tax was abolished and the Interim Regulations of the People's Republic of China on Value-added Tax (中華人民共和國增值稅暫行條例) was revised by the State Council. According to the revised Interim Regulations of the PRC on Value-added Tax, selling goods, providing labour

services of processing, repairs or maintenance, or selling services, intangible assets or real property in the PRC, or importing goods to the PRC, shall be subject to VAT. Although the VAT pilot programme is mainly intended to reduce double taxation under the business tax system, the Group may be subject to more taxes under the VAT pilot programme in connection with the Group's operations and activities in the PRC, which could adversely affect the Group's business, results of operations and prospects.

The Group may not be able to protect its intellectual property rights successfully.

The Group has developed trademarks, patents, design patents, know-how, processes, technologies and other intellectual property rights that are of **significant** value to it. There can be no assurance that any of its intellectual property will not be challenged, misappropriated or circumvented by third parties.

In addition, the legal regime governing intellectual property in the PRC is still evolving and the level of protection of intellectual property rights in the PRC may differ from those in other jurisdictions. In the event that the steps the Group has taken and the protection **provided** by the law do not adequately safeguard its intellectual property rights, the Group could suffer losses in profits due to the sales of counterfeit products, which exploit its intellectual property rights.

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 Managers are not obligated to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Managers. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. In addition, Bondholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of this Offering Circular), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Bonds. Such lack of liquidity may result in investors suffering losses on the Bonds in secondary resales even if there is no decline in the performance of the assets of the Group. It is not possible to predict which of these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Bonds and instruments similar to the Bonds at that time. Although application will be made for the listing of the Bonds on the SEHK, no assurance can be given as to the liquidity of, or trading market for, the Bonds. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, investors will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

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

If an active trading market for the Bonds were to develop, the price and trading volume of the Bonds may be highly volatile. Factors such as variations in the revenues, earnings and cash flows of the Group, proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies, changes in the industry that the Group operates and competition, 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 neither the Issuer nor the Guarantor has 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 Offering Circular;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- have the ability to understand and evaluate all information and materials with respect to the Issuer, the Guarantor, the Group 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 the Issuer or the Guarantor fails 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 (together with all fees, costs, expenses, indemnity payments and other amounts of the Trustee then outstanding), 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 or other members of the Group, which may in turn on-lend to the 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.

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

The NDRC issued the NDRC Notice on 14 September 2015, which came into effect on the same day. According to the NDRC Notice, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued outside the PRC with a maturity of not less than one year with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within 10 working days after the completion of the issue of the securities. The NDRC Notice is silent on the legal consequences of non-compliance with the pre-issue registration requirement. In the worst-case scenario, it might become unlawful for the Issuer and/or the Guarantor to perform or comply with any of its obligations under the Bonds and the Bonds might be subject to enforcement as provided in Condition 10 (Events of Default) of the Conditions. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions. Similarly, there is no clarity on the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Notice. The Guarantor has undertaken to file or cause to be filed with the NDRC the requisite information and documents within 10 PRC Business Days after the Issue Date in accordance with the NDRC Notice and any implementation rules, notices, regulations and guidelines as issued by the NDRC from time to time and comply with all applicable PRC laws and regulations in relation to the issue of the Bonds and the Guarantee.

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 in accordance with,

and within 15 PRC Business Days after execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the “**Cross-Border Security Registration**”). 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 the Issuer or the Guarantor is unable to comply with the restrictions and covenants in their respective 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 the debt of the Issuer or the Guarantor to be accelerated.

If the Issuer or the Guarantor is 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 the Issuer or the Guarantor, 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, the default by the Issuer or the Guarantor under one debt agreement may cause the acceleration of repayment of debt, including the Bonds, or result in a default under its other debt agreements. 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 the indebtedness of the Issuer or the Guarantor, or that it would be able to find alternative financing. Even if the Issuer or the Guarantor could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer or the Guarantor.

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, the Issuer, or failing which, the Guarantor will discharge its payment obligations under the Bonds by making payments to the Clearing System for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the Clearing System(s) to receive payments under the Bonds. Neither the Issuer nor the Guarantor has 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 the Issuer or the Guarantor in the event of a default under the Bonds but will have to rely upon their rights under the Trust Deed.

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

The Issuer may, on the occurrence of a Relevant Event, and at maturity will, be required to redeem part or all of the Bonds. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. There is also no assurance that the Guarantor would have sufficient funds at such time to make the required redemption of the Bonds. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay or redeem tendered Bonds by the Issuer or the Guarantor would constitute an event of default under the Bonds, which may also constitute a default under the terms of the Group’s other indebtedness.

The insolvency laws of the 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 the Issuer and the Guarantor 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.

Certain facts and statistics are derived from publications not independently verified by the Group, the Managers, the Trustee, the Agents or their respective advisers.

Facts and statistics in this Offering Circular relating to global economy and the relevant industries are derived from publicly available sources. While the Issuer and the Guarantor 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 the Issuer, the Guarantor, the Managers, 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 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 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 which 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 as soon as practicable in accordance with Condition 17.

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.

The Bonds may be redeemed by the Issuer prior to maturity.

The Issuer may redeem the Bonds at its option, in whole but not in part, at a redemption price equal to their principal amount, together with interest accrued 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 Conditions), as further described in Condition 7(b) (*Redemption for Taxation Reasons*) of the Conditions.

If the Issuer redeems 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, the Issuer's ability to redeem the Bonds may reduce the market price of the Bonds.

The Issuer may issue additional bonds in the future.

The Issuer may, from time to time, and without the consent of the Bondholders, create and issue further bonds 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 Conditions), the making or submission of the Post-Issuance Filing and the 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 its financial condition.

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

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

Collateral and guarantees: A substantial portion of the LC Bank's loans is secured by collateral. In addition, a substantial portion of its PRC loans and advances is backed by guarantees. If the LC Bank 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 the LC Bank's financial condition could be materially and adversely affected.

Loans to real estate sector and government financing platforms: the LC Bank'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, the LC Bank's financial condition and results of operations. Loans to government financing platforms are a part of the loan portfolio of the LC Bank. 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 the LC Bank has not 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 Standby Letter of Credit.

Payments of principal and interest in respect of the Bonds and the fees, costs, expenses, indemnity payments and all other amounts payable to the Trustee under or in connection with the Bonds, the Trust Deed, the Deed of Guarantee, the Agency Agreement and/or any other transaction document relating to the Bonds will have the benefit of the Standby Letter of Credit up to a maximum limit of U.S.\$49,924,000, 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 fees, costs, expenses, indemnity payments and any other amounts payable to the Trustee under or in connection with the Bonds, the Trust Deed, the Deed of Guarantee, 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 5:30 p.m. (Hong Kong time) on 9 July 2025. 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.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to amendment and save for the paragraphs 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.\$48,000,000 in aggregate principal amount of 3.85 per cent. credit enhanced bonds due 2025 (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 the written resolutions of the directors of Xin Fu (BVI) Co., Limited (the “**Issuer**”) passed on 21 April 2022 and the guarantee of the Bonds was authorised by a resolution of the board of directors of Taizhou Xintai Group Co., Ltd. (泰州鑫泰集團有限公司) (the “**Guarantor**”) dated 3 September 2021, a resolution of the board of directors of the Guarantor dated 5 May 2022 and a shareholder’s resolution of the Guarantor dated 1 December 2021. The Bonds are constituted by a trust deed dated 9 June 2022 (as amended, supplemented or replaced from time to time, the “**Trust Deed**”) between 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, where the context so permits, include its successors(s) and all other 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 9 June 2022 executed by the Guarantor and the Trustee relating to the Bonds. The Bonds are the subject of an agency agreement dated 9 June 2022 (as amended, supplemented or replaced from time to time, the “**Agency Agreement**”) relating to the Bonds 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 in it, 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(s), the Paying Agent(s) 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 9 June 2022 issued by Bank of Nanjing, Taizhou Branch (the “**LC Bank**”) in favour of the Trustee on behalf of itself and the holders of the Bonds.

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 and identity during 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 corporate trust office of the Trustee (presently at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong). 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 and are deemed to have notice of those 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 (the “**Specified Denomination**”).

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

Title to the Bonds shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Bond shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it

(other than the endorsed form of transfer) or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

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

*Upon issue, the Bonds will be represented by a global certificate (the “**Global Certificate**”) deposited with a common depositary for, and representing Bonds registered in the name of a nominee of, 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.

2 TRANSFERS OF BONDS

- (a) **Transfer:** A holding of Bonds may, subject to the Agency Agreement and 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 the Specified Denomination) and a further new Certificate in respect of the balance of the holding not transferred (which shall be in the Specified Denomination) shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. A Bond may not be transferred unless the principal amount of such Bond to be transferred and (where not all of the Bonds held by a holder are being transferred) the principal amount of the balance of such Bond not being transferred are equal to a Specified Denomination. 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. 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. The current regulations will be available for inspection (free of charge to the Bondholders and at the Issuer’s expense) by the Registrar to any Bondholder following prior written request and proof of holding and identity satisfactory to the Registrar at all reasonable times during normal business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays)) at the specified office for the time being of the Registrar.

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

- (b) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within seven business days of receipt of a duly completed and signed form of transfer and surrender of the existing Certificate(s). The form of transfer is available at the specified office of the Transfer Agent. Delivery of the new Certificate(s) shall be made at the specified office of any Transfer Agent or of the Registrar (as the case may be) to whom delivery of such form of transfer or 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 commercial banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).
- (c) **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 tax 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 or the Transfer Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the Registrar 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 in respect of that Bond or redemption of that Bond, (ii) after a Put Exercise Notice in respect of such Bond has been deposited pursuant to Condition 7(c), or (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 8(a)(ii)).
- (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. A copy of the current regulations will be made available for inspection by the Registrar to any Bondholder upon written request and proof of holding and identity to the satisfaction of the Registrar during 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 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 law, 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); or (ii) an Event of Default (as defined in Condition 10) has occurred and the beneficiary, as Trustee for itself and the bondholders, has given notice to the Issuer that the Bonds are immediately due and payable in accordance with Condition 10.

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 in immediately available funds 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 Guarantee, the Trust Deed and/or the Agency Agreement and/or any other transaction documents relating to the Bonds 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 these Conditions or in connection with the Bonds, the

Guarantee, the Trust Deed and/or the Agency Agreement and/or any other transaction documents relating to the Bonds.

The LC Bank's aggregate liability under the Standby Letter of Credit shall be expressed and payable in U.S. dollars and shall not in any circumstances exceed U.S.\$49,924,000 (the "**Maximum Limit**"), which includes an amount representing (i) the aggregate principal amount of U.S.\$48,000,000 of the Bonds plus interest payable for one interest period (being six months) in accordance with the Conditions) and (ii) U.S.\$1,000,000.00 being the maximum amount payable under the Standby Letter of Credit for any fees, costs, expenses, indemnity payments and all other amounts payable to the Trustee under or in connection with the Bonds, the Trust Deed, the Deed of Guarantee, the Agency Agreement and/or any other transaction document relating to the Bonds. The Standby Letter of Credit takes effect from the Issue Date and shall remain valid and in full force until 5:30 p.m. (Hong Kong time) on 9 July 2025.

See "Appendix I — Form of Irrevocable Standby Letter of Credit" in the Offering Circular for the form of the Standby Letter of Credit.

- (b) **Pre-funding:** In order to provide for the payment of any amount in respect of the Bonds (other than the amounts payable under Condition 7(d)) (the "**Relevant Amount**") as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, by no later than 10:00 a.m. (Hong Kong time) on the Business Day falling ten (10) 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 in immediately available funds into the Pre-funding Account; and
 - (ii) deliver to the Trustee and the Principal Paying Agent by facsimile or by way of a scanned copy in an email (x) a Payment and Solvency Certificate signed by any Authorised Signatory (as defined in the Trust Deed) 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 and the Principal Paying Agent 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 Prefunding Account Bank has notified the Trustee of such failure (and the Trustee may rely conclusively on any such notification), 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

- (i) as soon as reasonably practicable notify the LC Bank and the LC Proceeds Account Bank by facsimile or by SWIFT of the occurrence of the Pre-funding Failure;
- (ii) send the notice (the "**Pre-funding Failure Notice**") to the Bondholders by 6:00 p.m. (Hong Kong time) on the second Business Day 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
- (iii) by no later than 5:30 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 Guarantee, 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 (followed by the original of that Demand) as contemplated in the Standby Letter of Credit). Following receipt by the LC Bank of such Demand by 5:30 p.m. (Hong Kong time) on a Business Day, the LC Bank shall by 10:00 a.m. (Hong Kong time) on the fifth Business

Day after the Business Day on which it receives such Demand (or, if such Demand is received after 5:30 p.m. (Hong Kong time) on a Business Day, then on the sixth Business Day after the Business Day on which it receives such Demand), pay to or to the order of the Trustee the amount in U.S. dollars specified in the Demand in immediately available funds to the account specified in the Demand.

For the purposes of this Condition 4:

“**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 generally 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 (A) a payment for the Relevant Amount has been made by the Issuer, as the case may be, to the Pre-funding Account in accordance with Condition 4(b) and (B) 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) **Issuer Activities:** The Issuer shall not, and the Guarantor will procure that the Issuer will not, carry on any business activity whatsoever other than in connection with the issue of the Bonds or other bonds and any other activities reasonably incidental thereto (such activities shall, for the avoidance of doubt, include the entry into of currency and interest rate swap transactions and the on lending of the proceeds of the issue of the Bonds or other bonds and/or such swap transactions to any other Subsidiaries of the Guarantor or to the Guarantor).
- (b) **Undertakings relating to the Guarantee:** The Guarantor undertakes (A) to file or cause to be filed with the National Development and Reform Commission of the PRC (the “**NDRC**”) the requisite information and documents, within ten (10) PRC Business Days after the Issue Date and in accordance with the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (国家发展改革委关于推进企业发行外债备案登记制管理改革的通知) promulgated by the NDRC on 14 September 2015 which came into effect immediately and any implementation rules, notices, regulations and guidelines as issued by the NDRC from time to time (the “**Post-Issuance Filing**”) and comply with all applicable PRC laws and regulations in relation to the issue of the Bonds and the Guarantee; and (B) to 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 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 (跨境担保外汇管理规定) 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) on or before the Registration Deadline and comply with all applicable PRC laws and regulations in relation to the Guarantee.

The Guarantor shall before the Registration Deadline and within ten (10) PRC Business Days after the later of (a) the submission of the Post-Issuance Filing and (b) 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 submission of the Post-Issuance Filing and the completion of the Cross-Border Security Registration; and (ii) copies of the relevant documents evidencing the Post-Issuance Filing (if any) and SAFE registration certificates or any other document evidencing the submission of filing with the NDRC and 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 “**Registration Documents**”).

In addition, the Guarantor shall procure that within ten (10) PRC Business Days after the documents comprising the Registration Documents are delivered to the Trustee, the Issuer shall give notice substantially in the form set out in the Trust Deed to the Bondholders (in accordance with Condition 17) confirming the submission of the Post-Issuance Filing and the completion of the Cross Border Security Registration.

The Trustee may rely conclusively on the Registration Documents and shall have no obligation or duty to monitor, assist with or ensure (x) the Cross-Border Security Registration with SAFE is completed as required by this Condition 5(b) and/or (y) the Post-Issuance Filing is submitted to the NDRC as required by this Condition 5(b) or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the Post-Issuance Filing and/or the Cross-Border Security Registration and/or the Registration Documents or to give notice to the Bondholders confirming the completion of the Post-Issuance Filing and the Cross-Border Security Registration, and the Trustee shall not be liable to Bondholders or any other person for not doing so.

- (c) **Financial Statements:** So long as any Bond remains outstanding, the Guarantor shall furnish the Trustee with (i) a copy of the relevant Audited Financial Reports within 150 days of the end of each Relevant Period prepared in accordance with PRC GAAP, audited by a nationally or internationally recognised firm of independent accountants, and if such statements shall be in the Chinese language, together with an English translation of the same (at the cost of the Issuer) translated by (aa) an internationally or nationally recognised firm of independent accountants or (bb) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants, together with a certificate in English signed by an Authorised Signatory certifying that such translation is complete and accurate (on each of which the Trustee may conclusively rely without liability to any Bondholder or any other person); and (ii) a copy of the Unaudited Financial Reports within 120 days of the end of each Relevant Period prepared on a basis consistent with the Audited Financial Reports, and if such statements shall be in the Chinese language, together with an English translation of the same (at the cost of the Issuer) translated by (aa) an internationally or nationally recognised firm of independent accountants or (bb) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants, together with a certificate in English signed by an Authorised Signatory certifying that such translation is complete and accurate (on each of which the Trustee may conclusively rely without liability to any Bondholder or any other person).
- (d) **Compliance Certificate:** So long as any Bond remains outstanding each of the Issuer and the Guarantor shall send to the Trustee: (i) at the same time as the Audited Financial Reports are provided pursuant to Condition 5(c); and (ii) within 14 days of any request by the Trustee, a Compliance Certificate.

In these Conditions:

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

“Compliance Certificate” means a certificate (substantially in the form scheduled to the Trust Deed) of each of the Issuer and the Guarantor (as the case may be) in English signed by any 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 the case may be) as at a date (the **“Certification Date”**) not more than five days before the date of the certificate that:

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

The Trustee shall be entitled to rely conclusively upon Compliance Certificates of the Issuer or the Guarantor given as contemplated in these Conditions and shall not be liable to any Bondholder or any other person for so relying upon such certificates.

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

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

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

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

“Registration Deadline” means the day falling 90 PRC Business Days after the Issue Date;

“Relevant Period” means (i) in relation to the Audited Financial Reports, each period of 12 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 Guarantor’s first half of the financial year (being 30 June of that financial year or any other interim reporting period required by applicable law or regulations); and

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

6 INTEREST

The Bonds bear interest on their outstanding principal amount from and including 9 June 2022 (the **“Issue Date”**) at the rate of 3.85 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.\$19.25 per Calculation Amount (as defined below) on 9 June and 9 December in each year (each an **“Interest Payment Date”**), commencing on 9 December 2022.

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

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).

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”**.

7 REDEMPTION AND PURCHASE

- (a) **Final Redemption:** Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 9 June 2025 (**“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 to the Bondholders (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount (together with interest accrued 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 Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in Condition 9) 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, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 1 June 2022, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due. Prior to the publication of any notice of redemption pursuant to this Condition 7(b), the Issuer shall deliver to the Trustee (x) 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 (y) 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 amendment. The Trustee shall be entitled (but shall not be obliged) to accept and rely conclusively upon such certificate and opinion as sufficient evidence of the satisfaction of the condition 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.
- (c) **Redemption for Relevant Events:** At any time 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 that holder’s Bonds on the Put Settlement Date (as defined below) at 100 per cent. of their principal amount, together in each case with interest accrued up to but excluding such Put Settlement Date. In order to exercise such right, the holder of the relevant Bond must deposit at the specified office of the Principal Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, substantially in the form scheduled to the Agency Agreement, obtainable from the specified office of the Principal Paying Agent or any other 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 Business Day (as defined in Condition 4) after the expiry of such period of 30 days as referred to above and, if such day is not a Payment Business Day (as defined in Condition 8(f)), the next following Payment Business Day. 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 or the Guarantor becomes aware of a Relevant Event, the Issuer, failing which the Guarantor, shall procure that notice regarding such Relevant Event shall be delivered to the Trustee in writing and to the holders (in accordance with Condition 17) stating:

- (i) the applicable Put Settlement Date;
- (ii) the date of the Relevant Event and, briefly, the events causing, as applicable, the Change of Control or No Registration Event;
- (iii) the date by which a Put Exercise Notice must be given;
- (iv) the redemption amount and the method by which such amount will be paid;
- (v) the names and addresses of all Paying Agents;

- (vi) the procedures that holders must follow and the requirements that holders must satisfy in order to exercise the Relevant Event Put Right; and
- (vii) that a Put Exercise Notice, once validly given, may not be withdrawn.

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 or the Guarantor (as the case may be) 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 in connection with the Registration Conditions, and none of the Trustee or the Agents shall be liable to the holders, the Issuer, the Guarantor or any other person for any loss arising from their not doing any of the foregoing.

In this Condition:

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

- (i) (a) Taizhou SASAC, (b) the Taizhou Municipal Government and (c) any person Controlled by Taizhou SASAC and/or the Taizhou Municipal Government and/or the government of Jiangsu Province, together cease to hold or own directly or indirectly 100 per cent. of the issued share capital of the Guarantor; or
- (ii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of its assets to one or more persons other than Taizhou SASAC, the Taizhou Municipal Government and any other person Controlled by Taizhou SASAC and/or the Taizhou Municipal Government and/or the government of Jiangsu Province; or
- (iii) the Guarantor ceases to own, directly or indirectly, 100 per cent. of the issued share capital of the Issuer.

“**Control**” of any person means

- (i) the ownership or control of at least 50.1 per cent. of the voting rights of the issued share capital of the relevant person, or
- (ii) the right to appoint and/or remove at least a majority of the members of the relevant person’s board of directors or other governing body,

in each case whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; and “**Controlled**” shall have meanings correlative to the foregoing;

a “**No Registration Event**” occurs when the Registration Conditions are not satisfied on or prior to the Registration Deadline;

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

“**Registration Conditions**” means the receipt by the Trustee of the Registration Documents relating to the Cross-Border Security Registration and the Post-Issuance Filing;

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

- (i) there is a No Registration Event; or
- (ii) there is a Change of Control; and

“**Taizhou SASAC**” means the State-owned Assets Supervision and Administration Commission of Taizhou of the PRC or its successor.

So long as the Bonds are represented by the Global Certificate, a right of a Bondholder to redemption of the Bonds following the occurrence of a Change of Control will be effected in accordance with the rules of the relevant clearing systems.

- (d) **Mandatory Redemption upon Pre-funding Failure:** The Bonds shall be redeemed in whole, but not in part, at their principal amount on the Interest Payment Date immediately falling after the date the Prefunding Failure Notice is given to the Bondholders in accordance with Condition 4(b) (the “**Mandatory Redemption Date**”) (together with interest accrued to, but excluding, the Mandatory

Redemption Date), provided that if the holder of any Bond shall have exercised its right to require the Issuer to redeem its Bond pursuant to 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, all the Bonds then outstanding 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 to, but excluding, the Put Settlement Date, and the term “**Mandatory Redemption Date**” shall be construed accordingly.

- (e) **Notices of Redemption:** All Bonds in respect of which any notice of redemption is given under this Condition 7 shall be redeemed on the date specified in such notice in accordance with this Condition 7. If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer pursuant to Condition 7(b) and any Put Exercise Notice given by a Bondholder pursuant to Condition 7(c)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.
- (f) **Purchase:** The Issuer, 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 the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Conditions 10, 13(a) and 14.
- (g) **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.
- (h) **Calculations:** Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption or Put Exercise Notice or have a duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection thereto, and shall not be liable to the Bondholders, the Issuer, the Guarantor or any other person for not doing so.

8 PAYMENTS

- (a) **Method of Payment:**
 - (i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of 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 on the due date to the person shown on the Register at the close of business on the Payment Business Day falling five Payment 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 wire 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 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 or premium (if any) being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest or premium (if any) so paid.

*Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear, 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 (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 Payment Business Day, for value on the first following day which is a Payment Business Day) will be initiated on the Payment Business Day preceding the due date for payment 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 as provided in the Trust Deed, the Trustee) 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 shall promptly be given by the Issuer to the Bondholders.
- (e) **Delay in Payment:** Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day, or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).
- (f) **Non-Payment Business Days:** If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment.

In this Condition 8, “**Payment Business Day**” means a day (other than a Saturday or Sunday or public holiday) on which commercial banks and foreign exchange markets are generally 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, premium (if any) 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 present or future 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 PRC at a rate of up to and including the aggregate rate applicable on 1 June 2022 (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 (i) by or within the PRC in excess of the Applicable Rate or (ii) by or within the British Virgin Islands, 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:** to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the British Virgin Islands or the PRC other than the mere holding of the Bond; or
- (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.

References in these Conditions to principal, premium (if any) and interest shall be deemed also to refer to any Additional Tax Amounts which may be payable under this Condition 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 Trustee nor any Agent shall in any event be responsible for paying any present or future tax, duty, assessments, charges, withholding or other payment referred to in this Condition 9 or otherwise in connection with the Bonds or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, the Guarantor or the Bondholders or any other person to pay such tax, duty, assessments, charges, withholding or other payment in any jurisdiction or be responsible to provide any notice or information in connection with payment of such tax, duty, assessments, charges, withholding or other payment imposed by or in any jurisdiction.

10 EVENTS OF DEFAULT

If any of the following events (“**Events of Default**”) occurs, the Trustee at its discretion may, and if so requested 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 due and payable. Upon any such notice being given to the Issuer, the Bonds shall immediately become due and payable at their principal amount together (if applicable) with accrued interest:

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

- (i) **Non-Payment:** there has been a failure to pay when due and payable (i) the principal of or any premium of the Bonds (if any), or (ii) any interest on any of the Bonds 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 other obligations under the Bonds, the Trust Deed or the Deed of Guarantee (other than those referred to in Condition 10(a) and where it gives rise to a right a redemption pursuant to Condition 7(c)), and such default is, (i) in the opinion of the Trustee, incapable of remedy or, (ii) if such default is, in the opinion of the Trustee, capable of remedy, not remedied within 30 days after written notice requiring such default to be remedied shall have been given to the Issuer or the Guarantor (as the case may be) by the Trustee; provided that any non-compliance with Condition 4(b) does not constitute an Event of Default under this Condition 10(a)(ii) unless and until an Event of Default has occurred under Condition 10(a)(i); or
- (iii) **Cross-Default:**
 - (A) any other present or future indebtedness of the Issuer, 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, the Guarantor or any of their respective Subsidiaries fails to pay when due or, as the case may be, within any originally applicable grace period 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.\$25,000,000 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 45 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 on the whole or any material part of its properties, assets or revenues becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged or stayed within 45 days; or
- (vi) **Insolvency:** the Issuer, the Guarantor or any Principal Subsidiary is (or is deemed by law or a court of competent jurisdiction to be) insolvent or bankrupt or unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or any material part of its debts, or proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or any material part of its debts, or proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts; or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Issuer, the Guarantor or any Principal Subsidiary; or
- (vii) **Winding-up:** an order of any court of competent jurisdiction is made or an effective resolution is passed for the winding-up or dissolution of the Issuer, the Guarantor or any Principal Subsidiary (except for the voluntary solvent winding-up or dissolution of 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 (i) a reconstruction, dissolution, amalgamation, reorganisation, merger or consolidation on terms approved by the Trustee acting on an Extraordinary Resolution, or (ii) in the case of a Principal Subsidiary, whereby (A) the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor or any of their respective Subsidiaries or (B) a disposal of or by a Principal Subsidiary for market consideration on an arm's-length basis where the proceeds (whether in cash or otherwise) from such disposal shall be transferred to or otherwise vested in the Issuer, the Guarantor or any of their respective Subsidiaries; or
- (viii) **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 the foregoing paragraphs of Condition 10(a)(iv) to Condition 10(a)(vii) (both inclusive).
- (ix) **Government Intervention:** (i) all or any material part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Principal Subsidiaries is condemned, seized or otherwise expropriated by any person acting under the authority of any national, regional or local government or (ii) the Issuer, the Guarantor or any of their respective Principal Subsidiaries is prevented by any such person from exercising normal control over all or any material part of its undertaking, assets and revenues; or
- (x) **Unenforceability of Guarantee:** except as permitted under the Trust Deed, 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
- (xi) **Failure to take action:** 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 (i) to enable each of the Issuer and the Guarantor lawfully to enter into, exercise their

respective rights and perform and comply with their respective obligations under the Bonds, the Trust Deed and the Deed of Guarantee, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds, the Deed of Guarantee, the Register and the Trust Deed admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

- (xii) **Illegality:** it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Bonds, the Trust Deed and/or the Deed of Guarantee; or
- (xiii) **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.

In this Condition 10(a):

“Principal Subsidiary” means any Subsidiary of the Guarantor:

- (i) whose total revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total revenue, as shown by its latest audited income statement is at least five per cent. of the consolidated total revenue as shown by the latest audited consolidated income statement of the Guarantor and its Subsidiaries, taken as a whole; or
- (ii) whose net profit or (in the case of a Subsidiary which itself has Subsidiaries) consolidated net profit, as shown by its latest audited income statement is at least five per cent. of the consolidated net profit as shown by the latest published audited consolidated income statement of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries’ share of net profit of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (iii) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total assets, as shown by its latest audited balance sheet are at least five per cent. of the consolidated total assets of the Guarantor and its Subsidiaries as shown by the latest audited consolidated balance sheet of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the investment of the Guarantor in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Guarantor and after adjustment for minority interests; or
- (iv) to which is transferred all or substantially all of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that (a) the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall forthwith become a Principal Subsidiary and (b) 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 (i) or (ii) or (iii) above of this definition;

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

- (A) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;
- (B) if at any relevant time in relation to the Guarantor or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, total revenue, net profit or total assets of the Guarantor and/or any such Subsidiary shall be determined on the basis of *pro forma* consolidated accounts prepared for this purpose by the Guarantor;

- (C) if at any relevant time in relation to any Subsidiary, no accounts are audited, its net profit, total revenue or total assets (consolidated, if appropriate) shall be determined on the basis of *pro forma* accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Guarantor; and
- (D) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (A) above) 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.\$25 million (or its equivalent in any other currency or currencies); or

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

In this Condition 10(b):

“**LC Bank**” means Bank of Nanjing, Taizhou Branch;

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

- (A) whose gross revenue (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries), whose gross assets (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) or whose net profit (consolidated in the case of Subsidiary which itself has consolidated Subsidiaries) represent not less than 5 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 (1) above) are not consolidated with those of the Bank, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be based on a pro forma consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements (determined on the basis of the foregoing) of the LC Bank;
- (B) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon (i) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary and (ii) the transferee Subsidiary shall immediately become a Material Subsidiary, provided that on or after the date on which the relevant financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of paragraph (A) of this definition above.

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

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

“Subsidiary” means, in relation to any person (the **“first Person”**) at any particular time, any other person (the **“second Person”**) (A) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise, or (B) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

11 PRESCRIPTION

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

12 REPLACEMENT OF CERTIFICATES

If any Certificate is 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, pre-funding and otherwise as the Issuer, the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13 MEETINGS OF BONDHOLDERS, MODIFICATION AND ENTITLEMENTS

- (a) **Meetings of Bondholders:** The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed, the Agency Agreement, 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 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 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, (v) to modify or release the Standby Letter of Credit (other than an amendment or supplement to, or a replacement of, the Standby Letter of Credit in connection with a further issue of securities pursuant to Condition 16 or modification pursuant to Condition 13(b)), or (vi) to modify or cancel the Deed of Guarantee (other than an amendment or supplement to the Deed of Guarantee in connection with a further issue of securities pursuant to Condition 16 or modification pursuant to Condition 13(b)), in which case the necessary quorum will be two or more persons holding or representing not less than 75 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) 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 (B) passed by Electronic Consent (as defined in the Trust Deed) shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

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

- (b) **Modification of the Conditions, Trust Deed, Agency Agreement, Deed of Guarantee 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, and (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 of such modification, authorisation or waiver shall be notified by the Issuer or the Guarantor to the Bondholders as soon as practicable in accordance with Condition 17. The Trustee may request, and may rely conclusively on, any certificate signed by an Authorised Signatory of the Issuer or the Guarantor, as the case may be, and/or an opinion of counsel concerning compliance with the above conditions in respect of any such modification, authorisation, waiver, amendment, supplement or replacement.

- (c) **Entitlement of the Trustee:** In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 13) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from the Issuer or 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, but shall not be obligated to, take any actions and/or steps and/or institute any 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 Agency Agreement, the Bonds and/or the Deed of Guarantee and, where appropriate, to draw down on and enforce the Standby Letter of Credit, but it need not take any such actions and/or steps 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 first 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 and its affiliates are entitled to enter into business transactions with the Issuer, the Guarantor, the LC Bank and any entity related to them without accounting for any profit.

The Trustee and the Agents may accept and shall be entitled to rely conclusively without liability to the Issuer, the Guarantor, the LC Bank, the Bondholders or any other person on any report, confirmation, information or certificate or any opinion or advice of any lawyers, accountants, financial advisers, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely conclusively on any such report, confirmation, information, certificate, opinion or advice, in which case such report, confirmation, information, certificate, opinion or advice shall be binding on the Issuer, the Guarantor, the LC Bank and the Bondholders. Neither the Trustee nor the Agents shall be responsible or liable to the Issuer, the Guarantor, the Bondholders, the LC Bank or any other person for any loss occasioned by relying or acting on or refraining from relying or acting on such report, confirmation, information, certificate, opinion or advice.

None of the Trustee or the Agents shall have any obligation to monitor compliance of the Issuer, the Guarantor, the LC Bank or any other person 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, 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 taking 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 taking any such action, making any such decision, or giving any such direction, to seek directions or clarification of directions from the Bondholders by way of an Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Guarantor, the LC Bank, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking or refraining from taking such action, making such decision, or giving such direction where the Trustee is seeking such directions or clarification of directions from Bondholders or in the event that no such directions or clarification of 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, directions, requests or resolutions of the Bondholders. The Trustee shall be entitled to conclusively rely on any instruction, 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.

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 received 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.

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 and first payment of interest on them and the timing for complying with the Registration Conditions, the making or submission of the Post-Issuance Filing and the submission and completion of the Cross-Border Security Registration and the giving of consequent notices thereof) 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 securities may only be issued if a further or supplemental or replacement standby letter of credit is issued by the LC Bank (or an amendment is made to the Standby Letter of Credit) on terms that are substantially similar to the Standby Letter of Credit (including that the stated amount of such further or supplemental standby letter of credit represents an increase at least equal to the principal of and one interest payment due on such further bonds and any fees, costs, expenses, indemnity payments and all other amounts in connection with such issue) and such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed. References to the Standby Letter of Credit shall thereafter include such further, supplemental, replacement or amended standby letter of credit. Any further bonds consolidated and forming a single series with the outstanding 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.

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 or a public holiday) after the date of mailing. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any 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 Global Certificate is held by or on behalf of Euroclear, Clearstream, or the Alternative Clearing System (as defined in the Summary of Provisions relating to the Bonds in Global Form), any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear, Clearstream or the Alternative Clearing System for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

18 CONTRACTS (RIGHTS OF THIRD PARTIES) ORDINANCE

No person shall have any right to enforce any term or condition of the Bonds, the Trust Deed and the Deed of Guarantee under the Contracts (Rights of Third Parties) Act 1999.

19 GOVERNING LAW AND JURISDICTION

- (a) **Governing Law:** The Trust Deed, the Agency Agreement, the Deed of Guarantee, the Standby Letter of Credit and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Trust Deed, the Agency Agreement, the Deed of Guarantee, the Standby Letter of Credit or the Guarantee 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, the Standby Letter of Credit or the Guarantee (“**Proceedings**”) may be brought in such courts. Each of the Issuer and the Guarantor has in the Trust Deed and the Deed of Guarantee irrevocably submitted to the exclusive jurisdiction of such courts and waived any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.
- (c) **Agent for Service of Process:** Each of the Issuer and the Guarantor irrevocably appoints Cogency Global (HK) Limited at Unit B, 1/F, Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong as its authorised agent in Hong Kong to receive service of process in any Proceedings based on any of the Bonds, the Guarantee, the Trust Deed or the Agency Agreement. Such service shall be deemed completed on delivery to such agent (whether or not it is forwarded to and received by the Issuer or the Guarantor, as the case may be). 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 the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) or any order or judgment made or given in connection with any Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE BONDS 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 Conditions set out in this Offering Circular. Terms defined in the Conditions 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 depositary for Euroclear and Clearstream.

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

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

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 date for payment, where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

Trustee’s Powers

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

Notices

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

Transfers

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

Cancellation

Cancellation of any Bond represented by the Global Certificate will be effected by a reduction in the principal amount of the Bonds in the register of the Bondholders and the Global Certificate.

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.

Bondholder's Redemption

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

Issuer's Redemption

The option of the Issuer provided for in Condition 7(b) and Condition 7(d) of the Conditions shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by those Conditions.

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

USE OF PROCEEDS

The gross proceeds from this offering will be U.S.\$48,000,000. Such proceeds, after deducting commissions to be charged by the Managers and other expenses payable in connection with the offering of the Bonds, are expected to be used for the refinancing of the Issuer's existing offshore indebtedness.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated total borrowings (both current and non-current portions), total equity and total capitalisation of the Guarantor as at 31 December 2021 and adjusted to give effect to the issue of the Bonds before deducting the fees and commissions and other estimated expenses payable in connection with this offering:

	As at 31 December 2021			
	Actual		As adjusted	
	(RMB)	(US\$) ⁽¹⁾	(RMB)	(US\$) ⁽¹⁾
	(in millions)			
Current indebtedness:				
Short-term loans.....	3,437.4	539.4	3,437.4	539.4
Non-current liabilities due within one year.....	10,024.0	1,573.0	10,024.0	1,573.0
Total current indebtedness	13,461.5	2,112.4	13,461.5	2,112.4
Non-current indebtedness:				
Long-term loans.....	13,975.2	2,193.0	13,975.2	2,193.0
Bonds payable.....	7,716.4	1,210.9	7,716.4	1,210.9
Long-term payables	1,257.2	197.3	1,257.2	197.3
Bonds to be issued ⁽²⁾	—	—	305.9	48.0
Total non-current indebtedness.....	22,948.8	3,601.2	23,254.7	3,649.2
Total indebtedness⁽³⁾	36,410.3	5,713.6	36,716.2	5,761.6
Total equity	22,681.7	3,559.3	22,681.7	3,559.3
Total capitalisation⁽⁴⁾	59,092.0	9,272.8	59,397.9	9,320.8

Notes:

- (1) Based on the exchange rate of RMB 6.3726 to US\$1.00, the noon buying rate in effect on 30 December 2021 as set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States.
- (2) The amount represents the aggregate principal amount of the Bonds to be issued, before deducting commissions and other estimated expenses payable in connection with the offering of the Bonds.
- (3) Total indebtedness represents the sum of current indebtedness and non-current indebtedness.
- (4) Total capitalisation represents the sum of total indebtedness and total equity.

The Group may, from time to time, continue to issue debt securities in the capital market in the ordinary course of business to finance its operations and to refinance existing debt. In particular, on 29 March 2022, the Guarantor issued corporate bonds due 2027 in an aggregate principal amount of RMB1.5 billion at a coupon rate of 6.0 per cent. per annum. On 14 April 2022, the Guarantor issued corporate bonds due 2024 in an aggregate principal amount of RMB1.0 billion at a coupon rate of 6.0 per cent. per annum. On 28 April 2022, the Guarantor issued medium term notes due 2024 in an aggregate principal amount of RMB600 million at a coupon rate of 5.98 per cent. per annum.

Except as otherwise disclosed above, there has been no material change in the consolidated capitalisation and indebtedness of the Guarantor since 31 December 2021.

DESCRIPTION OF THE LC BANK

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

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

OVERVIEW

The Bank of Nanjing (the “**Bank**”) was founded in Nanjing, Jiangsu Province on 6 February 1996 and is currently a joint stock commercial bank. On 2 August 2016, the Bank was listed on the main board of the Shanghai Stock Exchange with the stock code 601009. The Bank holds a financial institution license numbered B0140H232010001 granted by the China Banking Regulatory Commission (the predecessor of CBIRC) and a legal entity business licenses (unified social credit code: 913201002496827567) granted by the Nanjing Administration of Industry and Commerce.

The Bank is committed to building itself into a leading service bank with smart banking ability, international vision and comprehensive services. Since October 2005, the Bank has set up strategic cooperation with BNP Paribas, a French international banking group, where the Bank has benefited from their experience and critical industry knowledge. By the end of 2021, the Bank has 17 branches and 215 branch outlets, spanning across major districts and cities within Jiangsu Province, Hangzhou Province, Shanghai and Beijing.

The Bank has received numerous awards, recognitions and honours for its business performance and management capabilities in the past few years. In addition, the Bank ranked 109th in the list of “Top 1000 World Banks by Tier 1 (世界前 1000 家大銀行)” by The Banker (《銀行家》) in 2021, ranked 98th in the list of “Top 500 Global Banking Brands (全球銀行品牌 500 強)” jointly by The Bank and the Brand Finance in 2022 and ranked 21st in the list of “Top 100 Chinese Banking Brands (中國銀行業 100 強)” by the China Banking Association (中國銀行業協會) in 2021.

PRINCIPAL BUSINESS ACTIVITIES

The Bank operates its business lines primarily through three segments:

- *Corporate Banking.* The Bank provides comprehensive financial products and services to its corporate banking customers, such as corporate deposits, corporate loans, bills, trade finance services and online services.
- *Retail Banking.* The Bank offers retail banking customers individualised, diversified and network-based financial products and services, such as personal deposits, credit card services, personal loans and online services.
- *Financial Markets.* The Bank’s financial market business primarily consists of, among others, interbank market transactions, securities investment and online financial assets trading services.

GENERAL AND FINANCIAL INFORMATION

The Bank's headquarters is located at No. 288 Zhongshan Road, Nanjing, Jiangsu Province, China. Its website address is www.njcb.com.cn. Copies of the Bank's published annual and interim financial statements, as well as its public filings, can be downloaded free of charge from the websites of the Bank and the Shanghai Stock Exchange at www.njcb.com.cn and www.sse.com.cn, respectively. The financial statements of the Bank are not included in and do not form part of this Offering Circular. The information contained on the websites of the Bank and the Shanghai Stock Exchange is subject to change from time to time and does not form part of this Offering Circular. No representation is made by the Issuer, the Guarantor, the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers, and none of the Issuer, the Guarantor, the Managers, 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 websites of the Bank and the Shanghai Stock Exchange.

DESCRIPTION OF THE ISSUER

OVERVIEW

The Issuer is a BVI business company incorporated under the BVI Business Companies Act, 2004 of the British Virgin Islands (BVI Company Number: 1981107). It was incorporated in the British Virgin Islands on 30 May 2018. The Issuer is an indirect wholly-owned subsidiary of the Company. The registered office of the Issuer is at Ritter House, Wickhams Cay II, PO Box 3170, Road Town, Tortola VG1110, British Virgin Islands, the office of the registered agent, Ogier Global (BVI) Limited of 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 Offering Circular, the Issuer does not carry and has not carried on any business other than entering into arrangements for the issue of the Bonds and the Issuer has no debt outstanding and has no contingent liabilities. As at the date of this Offering Circular, the Issuer has no subsidiaries and no material assets or liabilities.

DIRECTORS

The directors of the Issuer are Mr. WANG Sheng and Mr. DIAO Rui. The directors of the Issuer do not hold any shares or options to acquire shares of the Issuer. As at the date of this Offering Circular, the Issuer does not have any employees.

SHARE CAPITAL

The Issuer is authorised under its memorandum of association to issue a maximum of 50,000 ordinary shares of no par value each of a single class. As at the date of this Offering Circular, 50,000 shares have 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 books of account as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions.

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

The Group is a leading investment, financing and operating platform for urban development in Taizhou City, Jiangsu Province and also the main investment, financing and operating entity for urban development in Taizhou Medical High-tech Zone. The Company is wholly owned by Taizhou SASAC. Since its establishment in September 2001, the Group has been focusing on urban development and infrastructure construction in Taizhou Medical High-tech Zone, particularly in Taizhou EDZ and Taizhou CBZ situated therein, by undertaking and completing a large number of strategically important urban development projects. Leveraging on the thriving development of Taizhou Medical High-tech Zone in recent years, strong shareholder support and its diversified businesses, the Group has established itself as a well-known state-owned investment, financing and operating platform in Taizhou City and played an important role in the development of Taizhou Medical High-tech Zone.

Taizhou City is a prefecture-level city in the centre of Jiangsu Province located on the north bank of the lower reaches of the Yangtze River. Due to its convenient location, Taizhou City is well connected to neighbouring cities such as Nantong and Yangzhou and thus serves as an important transportation hub within Jiangsu Province. As a key city along the “Yangtze River Economic Belt” and with the benefits flowing from the development of Taizhou Medical High-tech Zone, the first of its kind in the PRC, Taizhou City has experienced significant economic growth in recent years, making it stand out among all the cities in Jiangsu Province. According to the Taizhou Municipal Statistics Bureau (泰州市統計局), Taizhou City achieved a GDP of approximately RMB602.5 billion in 2021, representing a growth rate of 10.1 per cent. as compared to 2020. In addition, per capita disposable income of Taizhou City reached an amount of RMB43,777 in 2021, representing a growth of 10.3 per cent. as compared to 2020. Leveraging the development of Taizhou City, Taizhou Medical High-tech Zone, as the primary platform to undertake the development of Taizhou medical industry, has developed rapidly and become increasingly prominent in recent years with the establishment and investment of numerous medical enterprises in Taizhou Medical High-tech Zone, and this has provided great development opportunities for the Group’s businesses.

The Group’s principal business segments are as follows:

- *Relocation Housing Development.* The Group is the primary entity to undertake relocation housing development business in Taizhou EDZ and Taizhou CBZ and has involved since its establishment in a large number of key relocation housing development projects within Taizhou EDZ and Taizhou CBZ. As at 31 December 2021, the Group had completed a number of relocation housing development projects, among which there were three major projects at sale, which were also included in the relocation housing development plan of Jiangsu Province.
- *Infrastructure Construction.* The Group is the main operating entity carrying out urban development in Taizhou Medical High-tech Zone, with primary focus on infrastructure construction within Taizhou EDZ and Taizhou CBZ. Since its establishment in 2001, the Group has undertaken a large number of infrastructure projects in Taizhou EDZ and Taizhou CBZ, including the construction of roads, standard workshops, ancillary infrastructure and various public facilities.
- *Commercial Product Sales.* The Group’s commercial product sales business involves sales of new and used automobiles, automobile parts and accessories, and automobile maintenance services. The Group has a solid relationship with a network of well-established authorised automobile stores primarily operating in Taizhou City.
- *Trading.* The Group trades a wide variety of products, including without limitation chromite, coal products, high carbon ferro-chrome, polyvinyl chloride, purified terephthalic acid and chemical plastic products.

In addition to the principal business segments of relocation housing development, infrastructure construction, commercial product sales and trading, the Group also engages in other business activities, which include sewage treatment, engineering construction, warehousing and property leasing.

COMPETITIVE STRENGTHS

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

A main investment, financing and operating platform with a proven track record in Taizhou Medical High-tech Zone that has extensive experience and strong presence in urban development

The Group is the main investment, financing and operating entity for urban development in Taizhou Medical High-tech Zone with strong presence and leading market position in Taizhou City. Since its inception, the Group has been designated to undertake urban development in Taizhou Medical High-tech Zone, particularly in Taizhou EDZ and Taizhou CBZ, with a focus on relocation housing development and infrastructure construction. Over the years, the Group has undertaken and completed a large number of strategically important urban development projects in Taizhou City. See “– Description of the Group’s Business” for more details with respect to the urban development projects conducted by the Group. By undertaking these projects, the Group has accumulated extensive experience and achieved a proven track record, establishing its strong presence and leading market position in Taizhou City.

Well-positioned to leverage the significant development potential of Taizhou Medical High-tech Zone to achieve business growth

The Group focuses on urban development in Taizhou Medical High-tech Zone, which is situated in Taizhou City. The Group believes that the excellent geographic location of Taizhou City and Taizhou Medical High-tech Zone with social and economic development potential and strategic importance have supported and will continue to support the business development of the Group.

Taizhou City is a prefecture-level city in the centre of Jiangsu Province located on the north bank of the lower reaches of the Yangtze River. Due to its convenient location, Taizhou City is well connected to neighbouring cities such as Nantong and Yangzhou and thus serves as an important transportation hub within Jiangsu Province. As a key city along the “Yangtze River Economic Belt” and with the benefits flowing from the development of Taizhou Medical High-tech Zone, the first of its kind in the PRC, Taizhou City has experienced significant economic growth in recent years, making it stand out among all the cities in Jiangsu Province. In particular, Taizhou City has become one of the largest pharmaceutical production and scientific research bases in China, and the largest production base for Chinese patent medicine, narcotic and vitamin supplements in China. According to the Taizhou Municipal Statistics Bureau (泰州市統計局), Taizhou City achieved a GDP of approximately RMB602.5 billion in 2021, representing a growth rate of 10.1 per cent. as compared to 2020. In addition, per capita disposable income of Taizhou City reached an amount of RMB43,777 in 2021, representing a growth rate of 10.3 per cent. as compared to 2020. The rapid development of Taizhou City has provided development opportunities for the Group’s businesses.

Furthermore, Taizhou Medical High-tech Zone, as the primary platform to undertake the development of Taizhou medical industry, is missioned with a multitude of development functions crucial to the overall development of Taizhou medical industry and has developed rapidly in recent years. As approved by the State Council in March 2009, Taizhou Medical High-tech Zone is the first and sole state-level high-tech medical zone focused on medical research and development in the PRC. Designated as “Medical Industry Base under the China Torch Program” (國家火炬計畫醫藥產業基地) by Ministry of Science and Technology of the PRC (“MOST”), “Innovation Base for Invigorating Trade through Science and Technology” (科技興貿創新基地) by MOFCOM and MOST, and “State-level Medical Export Base” (國家級醫藥出口基地) by MOFCOM, respectively, Taizhou Medical High-tech Zone has successfully attracted investment from a large number of domestic and foreign enterprises.

Currently, a number of domestic and foreign pharmaceutical enterprises have established a presence in Taizhou Medical High-tech Zone, for example, the well-known multinational pharmaceutical enterprises of AstraZeneca and Boehringer Ingelheim. The development of Taizhou City and Taizhou Medical High-tech Zone over the past few years has further driven the demand for urban development in Taizhou City such as infrastructure construction, which is the principal business activity of the Group, and this has contributed to the growth of the Group’s business operations.

With strong government support and favourable national and local policies, Taizhou City and Taizhou Medical High-tech Zone has presented and will continue to present great development potentials. As a main investment, financing and operating entity for urban development in Taizhou Medical High-tech Zone, the Group believes that

such great development potentials has brought and will continue to bring significant business opportunities to the Group.

Strong support from the Group's shareholder

The Group has played an important role in the urban development of Taizhou Medical High-tech Zone, particularly in Taizhou EDZ and Taizhou CBZ, with a focus on relocation housing development, infrastructure construction and primary land development in Taizhou. Since its inception, the Group has received strong support to enhance its financial strength from its sole shareholder, the Taizhou SASAC and its predecessor Taizhou EDZ Management Committee in various forms, such as capital injection and assets injection. See “– History and Development” for more details. This allows the Group to invest in capital-intensive and large-scale projects. In addition, Taizhou Municipal Government also provides governmental subsidies to support the businesses of the Group. For instance, during the year ended 31 December 2021, the Group received government subsidies in support of its construction projects in the amount of RMB297.3 million. Furthermore, as the sole shareholder, the Taizhou SASAC participates in and closely monitors the Group's decision-making process for key projects, reviews the Group's development strategy and investment plans, appoints and conducts annual appraisals on the senior management, directors and supervisors so as to guide the development strategies of the Group. The strong and continued support from the Taizhou SASAC greatly increased the financing stability, creditability and comprehensive competitiveness of the Group, which in turn contributes to the future growth of the Group.

Diversified business portfolio

Since its establishment, the Group has been designated to undertake urban development in Taizhou Medical High-tech Zone, particularly in Taizhou EDZ and Taizhou CBZ, with a focus on relocation housing development and infrastructure construction. Meanwhile, the Group believes that a diversified business portfolio will create synergy and benefit the Group's business and investments as a whole. Over the years, the Group has expanded into businesses other than its traditional principal operating activities, such as commercial product sales, trading, sewage treatment, engineering construction, warehousing and property leasing, to create synergies for and supplement its traditional primary businesses. In particular, leveraging its platform, presence and market position in Taizhou City as well as its strong execution capabilities, the Group has successfully built up its outstanding commercial product sales business, which primarily includes sales of new and used automobiles, automobile parts and accessories within Taizhou City. The Group believes that by diversifying its business portfolio, the Group will capture commercial opportunities throughout the various stages of development of Taizhou City and Taizhou Medical High-tech Zone, minimise the risk of relying on a single business segment, and obtain more stable financial returns in the long run.

Sufficient capital from diversified financing channels

The Group has access to diversified financial channels such as bank loans and debt securities to fund its businesses. Over the years, the Group has cultivated close and extensive relationships with a number of reputable commercial banks and financial institutions in the PRC, such as China Development Bank, China Construction Bank, Industrial Bank, Agricultural Bank of China, China Minsheng Bank, Bank of Shanghai, Bank of China, China Everbright Bank, Industrial and Commercial Bank of China, Bank of Jiangsu, Bank of Nanjing, Huishang Bank, Haitong Securities Co., Ltd., China CITIC Bank, Minmetals Securities Co., Ltd, Zhongtai Securities Company Limited, Soochow Securities Co., Ltd. and Zheshang Securities Co., Ltd. Such relationships provide a solid foundation for the Group to access capital. As at 31 December 2021, the total credit facilities of the Group from banks was approximately RMB22.3 billion, of which approximately RMB6.2 billion had not been utilised. The Group has been exploring other channels to further diversify its sources of funding, such as the issuance of bonds in the international capital market. The Group also leverages its excellent financial performance and credibility to access direct financing from the PRC capital market. As at 31 December 2021, the Group had issued a total of 25 debt securities in the PRC capital market including enterprise bonds, corporate bonds and private placement debt financing instruments with an aggregate outstanding amount of RMB7,203.1 million. The Group carefully manages the duration of its indebtedness to ensure its liquidity and sustainable funding. The Group believes that it will continue to have access to sufficient capital to support its business operations and expansions in the future.

Sound corporate governance with experienced senior management team and quality employees

The Group has established a sound corporate governance structure. The Group has set up six departments in the parent company level, namely the General Business Department, Planning and Finance Department, Asset Operation Department, Inspection and Audit Department, Financing Department and Project Construction

Department, to oversee different aspects of the Group's daily operations. As the sole shareholder of the Group, Taizhou SASAC participates in and closely monitors the Group's decision-making process for key projects, reviews the Group's development strategy and investment plans, appoints and conducts annual appraisals on the senior management and a majority of the directors and supervisors of the Company. The Company's senior management and Taizhou SASAC regularly have in-depth discussions regarding key development projects, and essential appraisal procedures are conducted before investment decisions are made. The Group has adopted a commercially driven approach to managing its business operations.

The Group's businesses are led by professionals with extensive experience in operation and management of relevant industries of the Group's businesses and supported by a quality workforce. The Group's management team has extensive experience in businesses conducted by the Group. See *"Directors, Supervisors and Senior Management of the Guarantor"* for more details. Over the years, the Company has maintained a skilled and well-trained employee team. As at 31 December 2021, the Company had approximately 53 full-time employees, 50 of which hold a bachelor's degree or above. With an experienced management team and quality employees, the Group has been able to achieve efficient management.

BUSINESS STRATEGIES

The Group aims to maintain its leading position in Taizhou City for urban development while at the same time diversifying its business portfolio. With the business philosophy of operating and developing with stability and diversity, the Group intends to focus on the following business strategies.

Actively respond to the development strategies of Taizhou City, in particular Taizhou Medical High-tech Zone

Over the years, the Group, as the main investment, financing and operating entity for urban development in Taizhou Medical High-tech Zone, has benefitted from the development strategies of Taizhou City and Taizhou Medical High-tech Zone and plans to continue to actively respond to and take advantage from the implementation of these strategies. In particular, pursuant to the *Outline of the 14th Five-Year Plan for the National Economic and Social Development of Taizhou City and the Long-term Goals for 2035* (《泰州市國民經濟和社會發展第十四個五年規劃綱要和二〇三五年遠景目標綱要》), it is the development strategy of Taizhou City to develop into the Chinese Pharmaceutical City. Taizhou Medical High-tech Zone, as the first and sole state-level high-tech medical zone focused on medical research and development in the PRC, takes a strategically important position for the implementation of the development strategies of Taizhou City. The Group, as the main investment, financing and operating entity for urban development in Taizhou Medical High-tech Zone, believe this will lead to further growth opportunities for the Group. In particular, the Group plans to continue to actively leverage Taizhou City's strategic location and increase its focus on urban development in Taizhou City, especially in Taizhou Medical High-tech Zone, as well as increase its investment and operations in other businesses and sectors which the Group believes may present great growth potential. The further development of Taizhou Medical High-tech Zone and the increased establishment and investment of numerous medical enterprises in Taizhou Medical High-tech Zone will bring more business opportunities for the Group's property leasing business. Accordingly, the Group plans to continue to seek business opportunities and further enhance its core competitive advantages by utilising its existing competitive strengths alongside the further development strategies of Taizhou City and Taizhou Medical High-tech Zone.

Continue to focus on the urban development of Taizhou Medical High-tech Zone

The Group plans to continue to actively focus on the urban development of Taizhou Medical High-tech Zone. During the past few years, the Group has established a market-leading position in the urban development of Taizhou City through participating in and successfully delivering a series of urban development projects and has therefore generated a significant amount of revenue. Leveraging its extensive experience, established market position and strong capabilities, the Group expects itself to continue to play an important role in the urban development activities in Taizhou Medical High-tech Zone to achieve business growth.

Continue to diversify the Group's business portfolio and cultivate new businesses that synergise with the Group's core business

Supported by the Group's extensive experience and strong execution capabilities, the Group has gradually expanded its business portfolio to engage in various businesses such as commercial product sales, trading, sewage treatment, engineering construction and warehousing, through its subsidiaries or associated companies, to create

synergies for and to supplement its primary businesses. The Group plans to continue to diversify the Group's business portfolio and cultivate new businesses that will synergise with the Group's core business.

For example, the Group plans to explore a new business model in the operation of its infrastructure construction business by forming joint ventures with enterprises looking to establish themselves in the Taizhou Medical High-tech Zone. The Group expects this new business model will allow it to benefit from the growth potentials of the enterprises in the Taizhou Medical High-tech Zone and the continued development of the Taizhou Medical High-tech Zone. In addition, the Group will focus on cultivating new businesses that will enhance the ancillary facilities in the Taizhou Medical High-tech Zone and provide services incidental to the development thereof. The Group also aims to rely on its warehouse in the Taizhou CBZ to help local businesses expand into international market. The Group believes that this will further strengthen the Group's competitiveness and increase its revenue and cash flows to achieve sustainable growth.

Continue to diversify the Group's financing channels

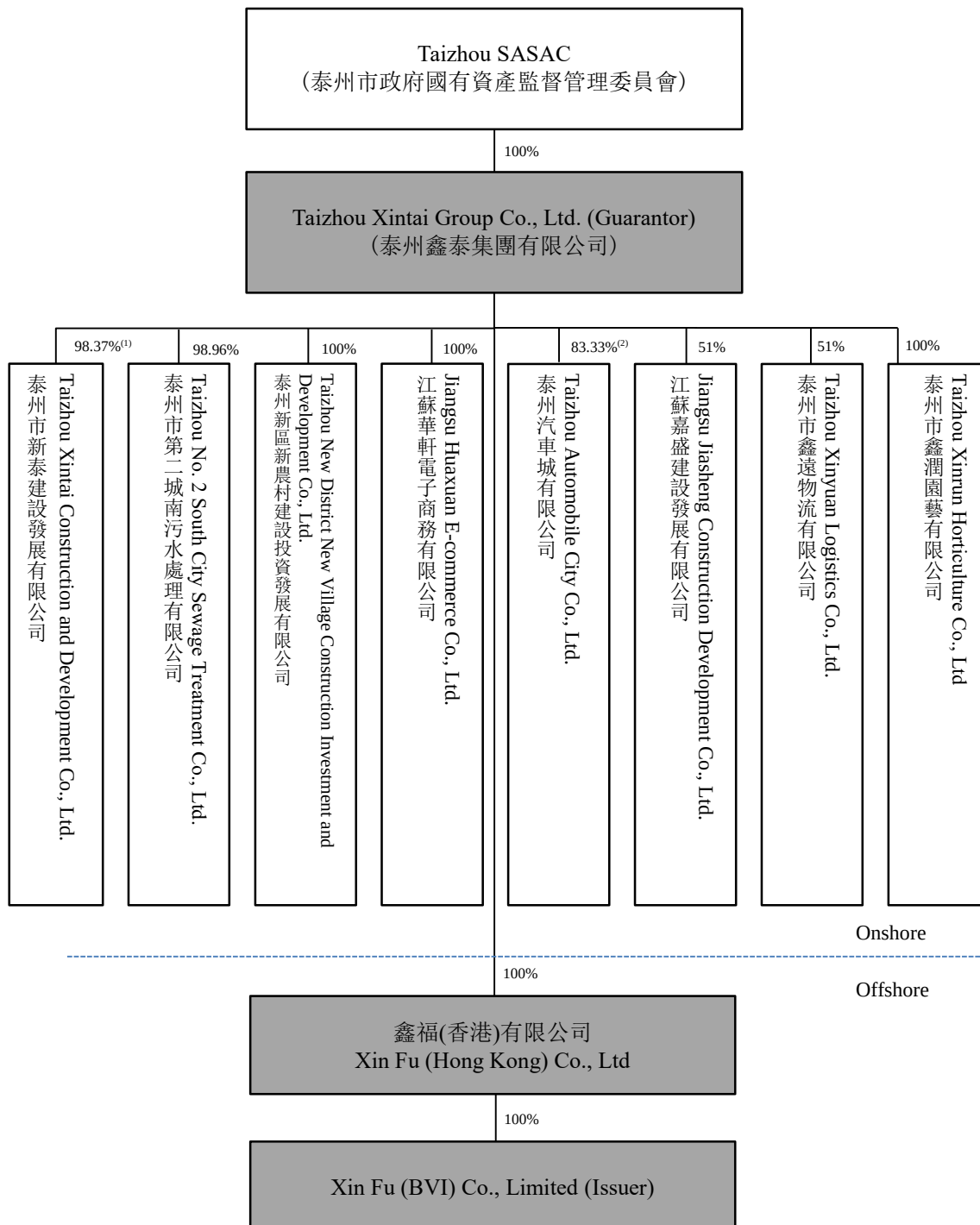
The Group has established a prudent financing structure wherein it obtains financing primarily through bank loans and debt securities. While the Group continues to maintain close relationships with financial institutions and investors, it will explore additional funding sources, such as accessing new markets to issue debt securities, and diversify its financing channels with the view to further optimising its financing structure. The Group intends to obtain adequate funding for its operations and plans to closely monitor the risk of different financing channels through its risk management system.

Enhance the Group's management capabilities and optimise the structure of its talent pool

The Group plans to continue to improve and streamline its management structure, so as to further increase its capabilities in terms of corporate management and internal control. The Group considers effective management at all organisational levels and among members of the Group to be critical to optimising its overall operational efficiency. The Group believes that people are one of its important assets and the Group's continued ability to compete effectively in its existing businesses and expand into new business areas depends on its ability to attract, motivate and retain talent. The Group plans to continue to invest in its employees and maintain a spirit of partnership with its employees to optimise the structure of its talent pool, so as to support its business goals and enhance its competitive advantages.

GROUP STRUCTURE

The following chart presents a simplified corporate structure of the Group as at the date of this Offering Circular:



Notes:

- (1) The Guarantor indirectly holds another 1.04 per cent. of the equity interest of Taizhou Xintai Construction and Development Co., Ltd. (泰州市新泰建設發展有限公司) through its subsidiary Taizhou No. 2 South City Sewage Treatment Co., Ltd. (泰州市第二城南污水處理有限公司).
- (2) The Guarantor indirectly holds another 16.67 per cent. of the equity interest of Taizhou Automobile City Co., Ltd. (泰州汽車城有限公司) through its indirect subsidiary Taizhou Xingang New Material Technology Co., Ltd. (泰州鑫港新材料科技有限公司).

HISTORY AND DEVELOPMENT

In September 2001, the Company's predecessor, Taizhou Xintai State-owned Assets Management Co., Ltd. (泰州市鑫泰國有資產經營有限公司, "TXSAM"), was established with the Taizhou Economic Development Zone Management Committee (泰州經濟開發區管理委員會, the "Taizhou EDZ Management Committee") as its sole shareholder. The Company was subsequently renamed as Taizhou Xintai Group Co., Ltd. (泰州鑫泰集團有限公司) in September 2003 and the sole shareholder was changed to Taizhou SASAC in June 2016. As at the date of this Offering Circular, the Company has a registered capital of approximately RMB10,051 million. The following table sets forth the milestone events in the course of development of the Company and the Group:

Year	Milestone Events
September 2001	TXSAM was established with the Taizhou EDZ Management Committee as its sole shareholder. TXSAM's initial registered capital was approximately RMB130.6 million.
July 2002	TXSAM increased its registered capital to approximately RMB203.3 million with capital and assets injection by the Taizhou EDZ Management Committee.
December 2003.....	With the approval of the Taizhou EDZ Management Committee, TXSAM was officially renamed as Taizhou Xintai Group Co., Ltd (泰州鑫泰集團有限公司). The Company's registered capital was increased to approximately RMB328.3 million with the assets injection by the Taizhou EDZ Management Committee amounting to RMB125 million.
October 2005	The Company's registered capital was increased to approximately RMB562.3 million with the capital injection by the Taizhou EDZ Management Committee amounting to RMB234 million.
June 2006.....	The Company's registered capital was increased to approximately RMB1,150.7 million with the property assets injection by the Taizhou EDZ Management Committee amounting to approximately RMB588.4 million.
June 2009.....	The Company's registered capital was increased to approximately RMB1,650.7 million with the capital injection by the Taizhou EDZ Management Committee amounting to RMB500 million.
July 2009	The Company's registered capital was increased to approximately RMB2,050.7 million with the capital injection by the Taizhou EDZ Management Committee amounting to RMB400 million.
May 2016.....	With the approval of the Taizhou Municipal Government, the sole shareholder of the Company was changed to Taizhou SASAC.
November 2019	The Company's registered capital was increased to approximately RMB10,050.7 million.

RELATIONSHIP WITH THE TAIZHOU SASAC, THE SOLE SHAREHOLDER OF THE COMPANY

The Company is wholly owned by the Taizhou SASAC and ultimately controlled by the Taizhou Municipal Government. As one of the leading investment, financing and operating platforms for urban development in Taizhou City and also the main investment, financing and operating entity for urban development in Taizhou Medical High-tech Zone, the Group has extensive relationships with the Taizhou Municipal Government and other entities directly or indirectly controlled by it. The Group is engaged by the Taizhou Municipal Government and other local government entities and agencies to undertake a number of relocation housing development, infrastructure construction and primary land development projects in Taizhou Medical High-tech Zone, particularly in Taizhou EDZ and Taizhou CBZ situated therein. The Group has also received various asset and

capital injections, subsidies and other grants and tax incentives from the Taizhou Municipal Government and other entities and enterprises controlled by it. As the sole registered shareholder of the Company, Taizhou SASAC also appoints the Company's board of directors and board of supervisors and supervises the performance of the Group and the Company's board of directors and board of supervisors in such capacity through various means.

Notwithstanding the Company's extensive relationships with the Taizhou Municipal Government and other entities controlled by it, many social and community functions performed by the Group and the financial support received by it, the Company is not part of the government. It is operationally and financially separate from the Taizhou Municipal Government. Its functions and departments are separate from those of the government and do not share any premises with the Taizhou Municipal Government. Even though the directors of the Company are appointed by Taizhou SASAC, they are not government officers and do not have any employment outside of the Group. The Company has a budget and financial reporting system and assets and liabilities separate from those of the Taizhou Municipal Government. The Taizhou Municipal Government, as the ultimate equity holder of the Company, only has limited liability to the Company in the form of its equity contribution in the Company. Neither the Taizhou Municipal Government nor any other PRC governmental entity has any payment or other obligations under the Bonds, the Deed of Guarantee or the Trust Deed and they will not provide a guarantee of any kind for the Bonds. The Bondholders do not have any recourse against the Taizhou Municipal Government or any other PRC governmental entity in respect of any obligation arising out of or in connection with the Bonds, the Deed of Guarantee or the Trust Deed. The Bonds are solely to be repaid by the Issuer and the Company and the obligations of the Issuer and Company under the Bonds, the Deed of Guarantee or the Trust Deed shall solely be fulfilled by the Issuer and the Company as independent legal persons. This position has been reinforced by Circular 23 and Circular 706. However, neither of these circulars prohibits the PRC government from providing support (in various forms including capital injection and subsidies, but excluding injecting any kinds of public assets and land reserves as the Group's assets) to the Group in its ordinary course of business in compliance with PRC laws and regulations. The detailed description of the relationships between the Company and the Taizhou Municipal Government in this Offering Circular does not imply in any way any explicit or implicit credit support of the Taizhou Municipal Government in respect of the Bonds, the repayment of which remains the sole responsibility of the Issuer and the Company.

See also the risk factors entitled *"A reduction or discontinuance of government support could materially and adversely affect the Group's business, financial condition and results of operations"* and *"Taizhou SASAC and Taizhou Municipal Government may exert significant influence on the Group, and could cause the Group to make decisions or modify the scope of its operations, or impose new obligations on the Group, which may not be in the Group's best interests or may not maximise the Group's profits"* in the section entitled *"Risk Factors – Risks relating to the Group and its Businesses"*.

DESCRIPTION OF THE GROUP'S BUSINESS

Overview

The Group is a leading investment, financing and operating platform for urban development in Taizhou City, Jiangsu Province and also the main investment, financing and operating entity for urban development in Taizhou Medical High-tech Zone. The Company is wholly owned by the Taizhou SASAC. Since its establishment in September 2001, the Group has developed a diversified business portfolio. The Group's operations and investment primarily focus on the following principal business segments, namely: (i) relocation housing development, (ii) infrastructure construction, (iii) commercial product sales and (iv) trading. The Group is also engaged in other business activities, which include sewage treatment, engineering construction, warehousing and property leasing.

Relocation Housing Development

Overview

The Group is the primary entity to undertake relocation housing development in Taizhou EDZ and Taizhou CBZ. The Group operates relocation housing development business through its subsidiary Xintai Construction. Since its establishment, the Group had been involved in a number of key relocation housing development projects within Taizhou EDZ and Taizhou CBZ.

Business Model

The Group, as the construction entity of the relocation housing development project, is responsible for the investment, construction, project management and coordination. The Group generally outsources the construction

work to third party construction contractors, which are selected through a public tender process. Third party construction contractors are required to enter into contracts with the Group, which generally provide the terms of the outsourced construction work (such as the scope of work, construction schedule, fees and payment and warranties with respect to quality and timely completion of the construction). The Group supervises its subcontractors in accordance with its internal quality control procedures to ensure quality and compliance with contract requirements.

Upon completion, inspection and acceptance of a relocation housing project by the Group, the subcontractors will hand over the entire project to the Group. The Group will then sell the relocation housing units to relocation residents at a price determined under the guidance of the relevant local government depending on the different types of the relocation housing. The relocation residents pay the agreed purchase price for such relocation housing units to the Group, which will be recognised as revenue of the Group's relocation housing development business. The revenue primarily includes (i) the compensation for demolition to be settled between the local government and relocation residents and (ii) the purchase price to be paid after the exchange of property rights. The compensation for demolition, in practice, will be generally settled directly by the local government on behalf of the relocation residents. The sales price of the relocation housing will be determined differently based on the different purposes and potential customers and such price may be subject to adjustment following the completion and settlement of a relocation housing project. Generally, the sales price is based on the construction cost and an agreed rate of return. However, if the sales price is lower than the cost to the Group, the local government will provide certain fiscal subsidies to ensure that the Group makes a profit on the relevant project.

Project Description

Completed Projects

As at 31 December 2021, the Group had completed a number of relocation housing development projects, among which there were three major projects at sale, which were also included in the relocation housing development plan of Jiangsu Province. The particulars of these three projects are set forth below:

Projects	Year of Commencement	Year of Completion	Total GFA	GFA Sold	Total Investment
			(sq.m.)		(RMB in millions)
Shuangshou Relocation Housing (雙壽安置房).....	2011	2014	372,200	328,000	1,711
Xianglong Relocation Housing (祥龍安置房)	2012	2015	271,400	226,700	1,231
Junfu Relocation Housing (軍甫安置房)	2012	2015	199,000	175,200	661

As at 31 December 2021, the Group had no relocation housing development projects under construction or under planning.

Infrastructure Construction

Overview

The Group is the main operating entity carrying out urban development in Taizhou Medical High-tech Zone, with a primary focus on infrastructure construction within Taizhou EDZ and Taizhou CBZ. It conducts infrastructure construction business primarily through its subsidiary Xintai Construction.

Since its establishment in 2001, the Group has undertaken a large number of infrastructure projects particularly in Taizhou EDZ and Taizhou CBZ, including the construction of roads, standard workshops, ancillary infrastructure and various public facilities.

Business Model

The Group's infrastructure construction projects are generally conducted using the agent construction model, under which details of the infrastructure projects to be constructed by the Group (such as the scope of work and the calculation of payment amount) are generally set out in an agent construction agreement between the Group and the local government. The Group is typically responsible for the financing of the infrastructure construction

projects, which is sourced from both internal and external funds. Upon completion of a construction project, the Group will hand over the entire project to the party designated by the local government.

In accordance with the agent construction agreement, the Group will, for each infrastructure construction project, be entitled to a sum total of the project cost incurred plus a premium, which is usually calculated based on a certain percentage of the project cost incurred. Upon completion, each infrastructure project will be subject to a final accounts audit, based on which the Group will calculate the amount of project cost and report to the local government for confirmation and payment arrangements. The confirmed amount plus the premium will be paid by the relevant local government, which sometimes may be paid in instalments. Such amount will be recognised as operating income.

Project Description

Completed Projects

As at 31 December 2021, the Group had completed a large number of infrastructure projects. The particulars of the Group's major completed infrastructure construction projects as at 31 December 2021 are set forth below:

Project	Year of Commencement	Year of Completion	Total Investment (RMB in millions)
Wuling South Road (Meilan West Road-Laotongyang Canal North Extension Project (吳陵南路(梅蘭西路-老通揚運河)北延工程).....	2015	2017	87.0
Jichuan West Road (Wuzhou South Road to Xiangtai Road) Reconstruction Project (濟川西路(吳洲南路-祥泰路)改造工程).....	2015	2017	206.6
Taizhou Road-Yongding West Road-Xiangtai West Road Water Pipeline Project (泰州大道-永定西路-祥泰路自來水管道工程).....	2015	2017	48.5
Taishu Garden East Road (Meilan West Road-Puji Road) New Project (泰墅園東側支路(梅蘭西路-普濟路)新建工程) ...	2015	2017	35.4
Wuzhou Road (Chunfeng Road-Jichuan West Road) New Project (吳州路(春風路-濟川西路)新建工程)	2015	2017	37.4
Kechuang Road (Xianglong Road-Haijun West Road) New Project (科創路(祥龍路-海軍西路)新建工程)	2015	2017	78.7
SMT Parcel Peripheral Road, Drainage Auxiliary Project (SMT 地塊外圍道路、排水配套工程)	2015	2017	50.0
Zhoushanhe Road(Taigao Road-Nanguan Lake) Project (周山河路(泰高路-南官河)工程).....	2015	2017	42.5
Photoelectronic Industrial Park Ancillary Infrastructure Construction Project (Phase III) (光電產業園配套基礎設施建設工程(三期)項目).....	2016	2018	1,638.6
Taizhou International Automobile City Ancillary Infrastructure Construction Project (泰州國際汽車城配套基礎設施建設工程)	2016	2018	405.6
Jichuan Road (Xiangtai Road-Yangtze Avenue) West Extension Project (濟川路(祥泰路-長江大道)西延工程) ..	2017	2018	139.4
Headquarters Economic Park Phase I Project (總部經濟園一期工程項目).....	2017	2018	443.0
Pengju Road (Jiangshe Road to Jianggao Road) New Construction Project(鵬舉路(建設路-姜高路)新建工程).....	2018	2020	268.7
Baojiu Road (Fenghuang Road West to Yangzigang Road) New Construction Project(鮑九路(鳳凰西路-楊子港)新建工程)	2018	2020	192.2

Project	Year of Commencement	Year of Completion	Total Investment
Reconstruction Project of Shanty Towns surrounding the Automobile City (汽車城周邊地塊等棚戶區改造項目) ...	2018	2020	580.3
Yangtze Port Commercial Land Piece Infrastructure Facilities Project (揚子港兩側商業地塊基礎設施配套項目)	2020	2021	49.2

As at 31 December 2021, the Group had no infrastructure projects under construction.

Commercial Product Sales

Overview

The Group has engaged in the commercial product sales business through its wholly-owned subsidiary Taizhou Automobile City Co., Ltd. (泰州汽車城有限公司) (“**Taizhou Automobile City**”), which the Group acquired in January 2016. The Group’s commercial product sales business includes the sales of new and used automobiles, and automobile parts and accessories within Taizhou City. For the year ended 31 December 2019, 2020 and 2021, the Group sold 5,987, 8,817 and 10,377 new automobiles, respectively.

Business Model

The Group typically enters into cooperation agreements with authorised automobile sales stores for the purchases, sales and after-sales service with respect to automobiles and automobile parts and accessories within Taizhou. In accordance with the cooperation agreements, the Group purchases automobiles, automobile parts and accessories from local authorised automobile sales stores operated by dealers of various automobile brands in accordance with the sales plan formulated by such automobile sales stores and agreed by the Group. The Group then resells the purchased automobiles to the Group’s customers, and the local automobile sales stores are responsible for the supply of such automobiles. In addition, such local automobile sales stores need to provide necessary support and assistance for the sales of automobiles purchased by the Group, as well as the after-sales services to customers of the Group. The Group has a solid relationship with a network of well-established authorised automobile stores primarily operating in Taizhou City. The Group generates profits from the differences between the purchase cost it pays for the authorised automobile sales stores and the corresponding actual resale price of the automobiles the Group sells to its customers.

The following table sets forth the information with respect to the Group’s five largest suppliers for its commercial product sales business for the year ended 31 December 2021:

Supplier	Quantity	Total procurement amount (RMB in millions)
Beijing Qingxiang Technology Co., Ltd. (北京輕享科技有限公司)	7,570	551.4
Sichuan Shenrong Automobile Sales Co., Ltd. (四川申蓉汽車銷售公司)	889	126.6
Taizhou Haipeng Group Co., Ltd. and its subsidiaries (泰州海鵬集團公司及其旗下子公司)	1,046	117.4
Taizhou Shunqi Automobile Sales and Service Co., Ltd. (泰州順騏汽車銷售服務有限公司)	505	45.8
Taizhou Aozheng Guantong Automobile Sales and Service Co., Ltd. (泰州奧正冠通汽車銷售服務有限公司)	102	25.0
Total	9,170	866.2

Trading

Overview

The Group operates its trading business through its subsidiary Jiangsu Huaxuan E-commerce Co., Ltd. (江蘇華軒電子商務有限公司) (“**Huaxuan E-commerce**”), which is the first state-owned cross-border e-commerce trading company and cross-border business trading platform in Taizhou City. Huaxuan E-commerce has automatic conveying and sorting system, warehouse shelves and steel pallets, WMS system, computer room and supporting facilities and other equipment. The Group trades a wide variety of products, including without limitation chromite, coal products, high carbon ferro-chrome, polyvinyl chloride, purified terephthalic acid (“**PTA**”) and chemical plastic products.

Business Model

The Group primarily conducts its trading business through a sales-oriented procurement business model under which the Group will first ascertain the procurement needs of downstream customers before making procurement from its upstream suppliers. In details, at the sales side, the Group will negotiate with downstream customers to determine the terms of the sales contract including but not limited to the sales quantity, unit price, total price, delivery method, payment and settlement information. At the procurement side, the Group generally enters into procurement agreements with its customary suppliers, which agreements set forth the procurement quantities and unit price of relevant commodities. Once the parties reach a consensus as to the terms of trade, the Group will coordinate with its suppliers and customers, respectively, to carry out the execution and delivery process of such procurement and sale agreements. The Group generates profits from the differences between the purchase cost it pays to the upstream suppliers and the corresponding actual resale price the Group sells to its downstream customers.

Main Suppliers

The following table sets forth certain procurement information with respect to the Group’s five largest suppliers for its trading business for the year ended 31 December 2021:

Supplier	Total procurement amount (RMB in millions)	Per cent. of total operating costs of Trading
Beijing Ruichi Gude Industrial Co., Ltd. (北京瑞池古德實業有限公司) ..	1,514.6	56.8
Beijing Aozhong Jiye International Trading Co., Ltd. (北京澳中基業國際貿易有限公司).....	817.9	30.7
Bairun Taihe Energy Technology (Beijing) Co., Ltd. (佰潤泰合能源科技(北京)有限公司).....	109.3	4.1
Tianjin Baili New Energy Technology Co., (天津佰利新能源科技有 限公司).....	98.6	3.7
Hainan Hexin Industrial Co., Ltd. (海南禾新實業有限公司)	56.5	2.1
Total	2,596.9	97.3

Main Customers

The following table sets forth certain sales information with respect to the Group’s five largest customers for its commodity trading business for the year ended 31 December 2021:

Customer	Total sales amount (RMB in millions)	Per cent. of total operating revenue of Trading
CEC Basic Product Equipment Co., Ltd. (中電基礎產品裝備有 限公司).....	1,543.6	57.0
China Engineering Machinery Complete Set Co., Ltd. (中工工程機械 成套有限公司).....	1,032.0	38.1

Shanghai Xinyi Industry Co., Ltd. (上海欣奕實業有限公司)	35.1	1.3
Shanghai Shuifa Fuxin Supply Chain Co., Ltd. (上海水發福欣供應鏈有限公司).....	22.0	0.8
Yangzhou Haiyi Trading Co., Ltd. (揚州海義貿易有限公司).....	6.2	0.2
Total	2,638.8	97.4

Other Businesses

In addition to the above, the Group also participates in other operating activities to supplement its primary operating activities, which include sewage treatment, engineering construction and warehousing.

Sewage Treatment

The Group engages in the sewage treatment business through its subsidiary Taizhou No. 2 South City Sewage Treatment Co., Ltd. (泰州市第二城南污水處理有限公司). The Group's sewage treatment business consists of removing pollutants from wastewater generated from residential and non-residential sources within Taizhou Medical High-tech Zone using multiple processes, including the application of chemicals and biological agents and the use of physical processes.

The services and products provided by the Group are priced in accordance with government's guidance and local government's supervision. If the price for the municipal public products and services provided by the Group is lower than the costs of the Group for the purpose of general public interest, or if the Group undertakes a mandatory task under the order of the local government for public interest, local government will provide subsidies to the Group to cover its costs. The fees for sewage treatment are typically collected together with the water charges by the local government from local residents, which in turn are transferred to the Group along with the subsidies for sewage treatment.

Engineering Construction

The Group's engineering construction business is mainly conducted through its subsidiary Jiangsu Jiasheng Construction Development Co., Ltd. (江蘇嘉盛建設發展有限公司), which undertakes municipal public construction projects, housing construction projects and landscaping projects.

Warehousing

The Group's warehousing service business is mainly conducted through its subsidiary Taizhou Xinyuan Logistics Co., Ltd. (泰州鑫遠物流有限公司) ("**Xinyuan Logistics**"), which provides warehousing and cargo handling services for companies within the Taizhou CBZ.

Further to the above mentioned principal businesses, in recent years, the Group has also been actively engaged in other businesses to generate revenue. For example, it has engaged the property leasing business with the operating properties built by itself, which includes standard plants, warehouses in the bonded zones, office building and youth-targeted apartments. These operating properties are primarily located in Taizhou Medical High-tech Zone and are used for property leasing business to generate rental revenue. In recent years, the Group has been engaged in a number of self-developed projects of which it is responsible for the investment, construction and operation. Examples of such self-developed projects include Innovative Start-up Industrial Park Phase IV (創新創業產業園四期) and Taizhou International Automobile City Car Town Cloud Innovation Centre (泰州國際汽車城 CAR 小鎮雲創新中心). Once these projects are completed, the properties will be used for property leasing or sale in order to generate revenue.

ENVIRONMENT MATTERS

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

INSURANCE

The Group maintains insurance policies, which the Group believes to be consistent with the relevant law and industry and business practice in the PRC. The Group maintains insurance coverage in the types, which it believes are commensurate with its risk of loss and industry practice. Consistent with what the Group believes to be customary practice in the PRC, it does not carry any business interruption insurance, key-man insurance 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 2021, the Company had approximately 53 full-time employees. In accordance with the applicable regulations of local governments in regions where the Group has business operations, the Group makes contributions to the statutory pension plan, medical insurance, unemployment insurance, maternity insurance and workers' compensation insurance. The amount of contributions is based on the specified percentages of employees' aggregate salaries as required by relevant PRC authorities. The Group also makes contributions to an employee housing fund according to applicable PRC regulations. In addition to statutory contributions, the Group provides annual bonuses to employees. The Group enters into an employment contract with each of its employees in accordance with applicable PRC laws. Such contracts include provisions on wages, vacation, employee benefits, training programmes, health and safety, confidentiality obligations and grounds for termination.

LEGAL PROCEEDINGS

From time to time, the Group, together with its subsidiaries, may be involved in legal proceedings or other disputes in the ordinary course of its business. As at the date of this Offering Circular, the Group is not aware of any legal proceedings, claims, disputes, penalties or liabilities currently pending or threatened against the Group that may have a material adverse change on its business, financial condition or results of operations.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE GUARANTOR

DIRECTORS

The board of directors (the “Board”) of the Company consists of seven directors. The Board is primarily responsible for, among others, carrying out the shareholder’s resolutions, determining development plans and major investment plans, annual operation targets, annual financial budget plans and accounting plans, annual profit-sharing plans and deficit covering plans, determining internal management structure and organisation, determining basic management policies, making proposals for capital increase or decrease, mergers, spin-off and change of corporation form for approval, determining the appointment and removal of general manager, deputy general manager and financial controller as well as their compensations, making plans with respect to the award and penalties for general manager and deputy general manager, making proposals for amendment to articles of association for the approval. The directors are appointed for a term of three years.

The following table sets forth certain information concerning the Company’s directors as of the date of this Offering Circular:

Name	Age	Position/Title
Mr. YANG Bin (楊賓)	48	Chairman of the Board and Legal Representative
Mr. YU Hao (于浩)	33	Director and General Manager
Mr. YANG Xinhong (楊新紅)	51	Director
Mr. CHEN Yaqiang (陳亞強)	51	Director
Mr. LUO Tianwei (駱天緯)	34	Director
Mr. MAO Zesheng (毛澤盛)	50	Director
Mr. WU Jun (吳軍)	50	Employee Director

Mr. YANG Bin (楊賓), aged 48, has been the chairman of the Board since April 2022. He is also the legal representative of the Company. Mr. Yang began his career in 1995 and has successively served as the deputy director and director of real estate administration office of Gaogang District(泰州高港區房地產管理處), as the office manager and the deputy director of the Office of Taizhou Gaogang District Housing Development Bureau (高港區住建局辦公室), as the member of party work committee, deputy director of management committee and director of planning and construction bureau of Taizhou Port Economic Development Zone (泰州港經濟開發區), as a director and the general manager of Taizhou Huaxin Pharmaceutical Investment Co., Ltd. (泰州華信藥業投資有限公司). Mr. Yang obtained his bachelor’s degree in engineering management from Wuhan University of Technology (武漢理工大學). He is also qualified as a certified real estate appraiser.

Mr. YU Hao (于浩), aged 33, has been a director of the Company since November 2021. He is also the General Manager of the Company. Mr. Yu previously worked as a corporate account manager of the business development team in Bank of Nanjing, Taizhou Branch (南京銀行泰州分行) and a deputy general manager of business development department in Bank of Jiangsu, Taizhou Branch (江蘇銀行泰州分行). Mr. Yu obtained his bachelor’s degree in computer science and technology from Southwest University of Science and Technology (西南科技大學).

Mr. YANG Xinhong (楊新紅), aged 51, has been a director of the Company since November 2021. Mr. Yang previously worked as a teacher of Taizhou Dapu Central School (泰州市大浦中心校), the head of the audit department of Taizhou Accountant LLP (泰州會計事務所), the chairman of the board and the chief accountant of Jiangsu Jingwei Certified Public Accountants Co., Ltd. (江蘇經緯會計師事務所有限公司). Mr. Yang obtained his bachelor’s degree in economic management from Central Party School of the Communist Party of China. He is also qualified as a senior accountant and a certified public accountant.

Mr. CHEN Yaqiang (陳亞強), aged 51, has been a director of the Company since November 2021. Mr. Chen previously worked as the director of Taizhou Surui Tax Accountants LLP (泰州蘇瑞稅務師事務所), the deputy chief accountant and general manager of Taizhou Xingrui Accounting Co., Ltd. (泰州興瑞會計師事務所有限公司), the general manager of Taizhou Hengrui Assets Valuing Co., Ltd. (泰州恆瑞資產評估有限公司), the chief partner of Taizhou Fangcheng Accountant LLP (泰州方成會計師事務所 (普通合夥)) and a partner of China

Audit Asia Pacific Accounting LLP (中審亞太會計師事務所 (特殊普通合夥)). Mr. Chen obtained his bachelor's degree in accounting from Nanjing University of Science and Technology (南京理工大學). He is also a certified public accountant, a certified tax agent and a certified appraiser.

Mr. LUO Tianwei (駱天緯), aged 34, has been a director of the Company since November 2021. Mr. Luo previously worked as a teacher of the School of Humanities and the secretary of the Party Branch of Taizhou College (泰州學院). Mr. Luo obtained his Ph.D. in legal theory from Nanjing Normal University (南京師範大學).

Mr. MAO Zesheng (毛澤盛), aged 50, has been a director of the Company since November 2021. Mr. Mao previously worked as a teaching assistant, an associate professor and a postgraduate tutor in Nanjing Normal University (南京師範大學). He also worked as a professor of the School of Finance in Nanjing University of Finance and Economics (南京財經大學). Mr. Mao obtained his Ph.D. in economics from Nanjing University (南京大學).

Mr. WU Jun (吳軍), aged 50, has been an employee director of the Company since August 2019. Mr. Wu previously worked for Xuzhou Iron Mine Group (徐州鐵礦集團) and Jiangsu Jingwei Certified Public Accountants Co., Ltd. (江蘇經緯會計師事務所有限公司). Mr. Wu held a high school diploma.

SUPERVISORS

The board of supervisors of the Company (the “**Supervisory Board**”) consists of five supervisors. The Supervisory Board performs its supervisory functions in accordance with applicable laws, regulations and Company's articles of association.

The following table sets forth certain information concerning the Company's Supervisory Board as of the date of this Offering Circular:

Name	Age	Position/Title
Mr. ZHENG Li (征麗)	39	Chairman of the Supervisory Board
Mr. QI Yongjun (戚勇軍)	43	Supervisor
Ms. CHEN Yuehong (陳月紅)	40	Supervisor
Ms. HUANG Haijie (黃海傑)	31	Employee Supervisor
Mr. HUO Jing (霍晶)	30	Employee Supervisor

Ms. ZHENG Li (征麗), aged 39, serves as the Chairman of the Supervisory Board and has been a supervisor of the Company since August 2018. Ms. Zheng previously worked as the head of recruitment of the Human Resources Department of Yangtze Pharmaceutical Group (揚子江藥業集團) and the manager of the Human Resources and Administration Department of Jiangsu Taikang Biomedical Co., Ltd. (江蘇泰康生物醫藥有限公司). Ms. Zheng obtained her bachelor's degree in management from Dalian University of Foreign Languages (大連外國語大學) and also held a MBA in human resources management. She is also qualified as a certified human resources professional (Grade 2).

Mr. QI Yongjun (戚勇軍), aged 43, has been a supervisor of the Company since August 2018. Mr. Qi previously worked for Jiangsu Hualian Oriental Real Estate Co., Ltd. (江蘇華聯東方置業有限公司), Lippo Group (Taizhou) Co., Ltd. (力寶集團(泰州)有限公司) and Shanghai Xincheng Group (Taizhou) Co., Ltd. (上海欣城集團(泰州)有限公司). Mr. Qi obtained his bachelor's degree in architectural environment and instrument engineering from Xi'an Jiaotong University (西安交通大學). He is also qualified as a senior engineer.

Ms. CHEN Yuehong (陳月紅), aged 40, has been a supervisor of the Company since August 2019. Ms. Chen previously worked for China Mobile Communications Group Co., Ltd. Shenzhen Branch (中國移動通信集團深圳分公司), Shenzhen Weishida Mass Communication Co., Ltd. (深圳威士達工程發展有限公司), Suzhou Weishida Information Technology Co., Ltd. (蘇州威士達信息科技有限公司) and Jiangsu National Traditional Chinese Medicine Co., Ltd. (江蘇國中醫藥有限公司). She held a high school diploma. She is also qualified as a semi-senior accountant.

Ms. HUANG Haijie (黃海傑), aged 31, has been an employee supervisor of the Company since August 2018. Ms. Huang previously worked as the accountant for Jiangsu Jingwei Certified Public Accountants Co., Ltd. (江蘇經緯會計師事務所有限公司). She obtained her bachelor's degree in Chinese literature and accounting and financial audit from Yancheng Teachers College (鹽城師範學院).

Mr. HUO Jing (霍晶), aged 30, has been an employee supervisor of the Company since August 2019. Mr. Huo previously worked for Bank of Communications Co., Ltd. Yangzhou Branch (交通銀行揚州分行) and BDO China Shu Lun Pan Certified Public Accountants LLP, Jiangsu office (江蘇立信會計師事務所). He obtained a bachelor's degree in accounting from Jiangsu University (江蘇大學).

SENIOR MANAGEMENT

The following table sets forth certain information concerning the Group's senior management as of the date of this Offering Circular:

Name	Age	Position/Title
Mr. YU Hao (于浩)	33	General Manager

Mr. YU Hao (于浩), aged 33, has been the general manager of the Company since November 2021. For Mr. Yu's biography, see “– *Directors*” above.

PRC REGULATIONS

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

NDRC REGISTRATION IN RELATION TO FOREIGN DEBTS MANAGEMENT

On 14 September 2015, the NDRC issued the NDRC Circular, which became effective on the same day. In order to encourage the use of low-cost capital in the international capital markets in promoting investment and steady growth and to facilitate cross-border financing, the NDRC Circular abolishes the case-by-case quota review and approval system for the issuance of foreign debts by PRC enterprises. It sets forth the following measures to promote the administrative reform of the issuance of foreign debts by PRC enterprises or overseas enterprises and branches controlled by PRC enterprises:

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

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

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

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

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

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

SAFE REGISTRATION IN RELATION TO CROSS-BORDER SECURITY

Pursuant to the current applicable foreign exchange regulations, provision of cross-border security (including the provision of security interests by way of mortgage or pledge and the provision of guarantee) as defined in the relevant PRC regulations by PRC non-financial institutions, is subject to registration, reports and other regulatory requirements of SAFE.

On 12 May 2014, SAFE issued the Provisions on Foreign Exchange Administration of Cross-border Security(跨境擔保外匯管理規定)and the Implementation Guidelines for the Foreign Exchange Administration of Cross-border Security(跨境擔保外匯管理操作指引)(collectively “**SAFE Circular 29**”), which became effective on 1 June 2014. According to the SAFE Circular 29: (i) cross-border security refers to the security provided by a security provider to a creditor under a written and legally binding agreement or instrument under which the security provider undertakes to fulfil relevant payment obligations in accordance with the security agreement, which may result in cross-border receipt and payment of funds or cross-border transfer of asset ownership and other transactions of international receipt and payment. Based on the places of registration of the parties to the cross-border security transactions, cross-border security shall be divided into three types, namely “Neibaowaidai”(內保外貸), “Waibaoneidai”(外保內貸)and “Other forms of cross-border security”(其他形式的跨境擔保). In particular, Neibaowaidai refers to the cross-border security transaction under which the security provider is registered in the PRC, while both the debtor and the creditor are registered outside the PRC; (ii) provision of guarantees by PRC non-financial institution for offshore bond issuance by offshore entities constitutes transaction of “Neibaowaidai”, and the PRC non-financial institution as the guarantor shall, register such cross-border security with SAFE within 15 working days after the execution of the guarantee; (iii) the proceeds of loans or bonds under the “Neibaowaidai” structure shall be used for the relevant expenses in the normal course of business of the foreign debtor, and shall not be used to support the foreign debtor to engage in transactions other than the normal course of business, to arbitrage any trade with fictitious transaction background, to carry out other forms of speculative transactions, or to directly or indirectly remit proceeds back to PRC by way of security investment; (iv) the proceeds of loans or bonds under the “Neibaowaidai” structure shall not be repatriated onshore and used in the PRC; (v) where “Neibaowaidai” is provided to secure the repayment obligations of an offshore entity under its offshore bond issuance, the offshore issuer shall be directly or indirectly owned by the PRC domestic institutions and the proceeds from the offshore bond issuance shall be applied to the overseas investment projects which are associated with the PRC domestic institutions in terms of equity interest and the relevant overseas institutions or projects shall have obtained or completed approvals, registrations, records or confirmations from or with the relevant PRC domestic authorities in charge of administration of overseas investment; and (vi) in case of performance of the “Neibaowaidai” which has been duly registered with SAFE, the PRC non-financial institution as the guarantor, may make the payment in relation to the performance of the “Neibaowaidai” under the registered “Neibaowaidai” at its own discretion, and shall de-register the “Neibaowaidai” and perform registration formalities in relation to its creditor rights against the offshore debtor arising out of the performance of the “Neibaowaidai”. On 26 January 2017, SAFE issued the Circular on Further Promoting the Reform of Foreign Exchange Administration and Improving the Genuineness and Compliance Review and Verification Process (關於進一步推進外匯管理改革完善真實合規性審核的通知) (“**SAFE Circular 3**”), which eases certain restrictions on the use of proceeds raised under a “Neibaowaidai” structure and generally allows the proceeds raised under a “Neibaowaidai” structure to be repatriated onshore and used in the PRC by way of loans and equity investments. The second series of the Policy Q&As in relation to the SAFE Circular 3(《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知(匯發[2017]3號)政策問答(第二期)》, “**Policy Q&As in relation to the Circular 3**”) published by SAFE on its official website on 27 April 2017 further clarified that, for offshore bond issuance by offshore entities which is secured by PRC onshore guarantees, the restrictions on the use of proceeds as mentioned in sub-paragraph (iii) and sub-paragraph (v) above still apply despite of SAFE Circular 3. However, in practice, application or exemption of such restrictions on the use of proceeds as mentioned in sub-paragraph (v) above to a large extent remains subject to SAFE’ discretion on a case by case basis.

The SAFE Circular 3 and Policy Q&As in relation to the SAFE Circular 3 are relatively new and will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the SAFE Circular 3 and Policy Q&As in relation to the SAFE Circular 3.

REGULATION ON FISCAL DEBTS OF LOCAL GOVERNMENTS

In accordance with Guidance on Further Strengthening Adjustment of Credit Structure to Promote Fast and Smooth Development of National Economy(中國人民銀行、中國銀行業監督管理委員會關於進一步加強信貸結構調整促進國民經濟平穩較快發展的指導意見) issued jointly by the People’s Bank of China and China

Banking Regulatory Commission in March 2009, local governments are encouraged to establish financing platforms to issue financing instruments such as 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(國家發展改革委員會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 existing debts of their respective financing platforms. In accordance with Circular 2881, indebtedness of local governments will impact their respective financing platform’s issuance of enterprise bonds.

In accordance with the currently effective Budget Law which took effect in 1995 (the “**Old Budget Law**”), local governments shall not issue bonds directly. On 29 December 2018, National People’s Congress adopted the newly amended Budget Law of the PRC (the “**New Budget Law**”) (中華人民共和國預算法 (2018 修正)), which became effective on as of the same date. The New Budget Law grants local governments the right to issue government bonds. On 21 September 2014, the State Council of the PRC released the Opinion on Enhancing the Administration of Fiscal Debts of Local Governments (國務院關於加強地方政府性債務管理的意見) (“**Circular 43**”). Circular 43 aims at regulating the financing system of local governments and three channels are presented. In accordance with Circular 43, financing platforms shall no longer function as financing vehicles of the local governments nor incur new government debts. Public interest projects may be funded by the government through issuing government bonds and public interest projects with income generated may be operated independently by private investors or jointly by the government and private investors through the establishment of special purpose companies. Private investors or such special purpose companies shall invest in accordance with market-oriented principles and may be funded by, among other market-oriented approaches, bank loans, enterprise bonds, project revenue bonds and asset-backed securitisation. Private investors or the special purpose companies shall bear the obligation to pay off such debts and the government shall not be liable for any of the private investors’ or special purpose companies’ debts. Circular 43 also sets forth the general principles of dealing with existing debts of financing platforms. Based on the auditing results of such debts run by the local governments, the existing debts that should be repaid by the local governments shall be identified, reported to the State Council for approval, and then included in the budget plan of local governments. On 23 October 2014, the MOF promulgated the Methods to Clear up and Clarify the Existing Fiscal Debt of Local Governments and Integrate it into Budgetary Management (地方政府存量債務納入預算管理清理甄別辦法) (“**Circular 351**”) based on Circular 43. Circular 351 further requires the local governments to clear up the existing debts of their respective financing platforms of the local governments and classify such existing fiscal debts of the local governments into government debts and non-government debts. Pursuant to the Circular of the General Office of the State Council on Forwarding the Opinions of MOF, PBOC and CBRC on Properly Solving the Problem of Follow-up Financing for Projects under Construction of Local Government Financing Platform Companies (國務院辦公廳轉發財政部人民銀行銀監會關於妥善解決地方政府融資平台公司在建項目後續融資問題意見的通知) (“**Circular 40**”) which was promulgated by General Office of the State Council of the PRC and became effective on 11 May 2015, local governments at all levels and banking financial institutions shall properly deal with follow-up financing issues for projects under construction of financing platform companies. Projects under construction refer to projects that have started construction upon the completion of examination, approval or filing procedures in accordance with relevant regulations by competent investment authorities before the date when the Circular 43 was promulgated. The key tasks of local governments and banking financial institutions are as follows: (a) supporting stock financing needs for projects under construction; (b) regulating increment financing for projects under construction; (c) administering in an effective and proper manner follow-up financing for projects under construction; and (d) improving supporting measures.

LAWS AND REGULATIONS RELATING TO PRIMARY LAND DEVELOPMENT AND INFRASTRUCTURE CONSTRUCTION

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 further amended on 27 December 2017, Regulation on the Implementation of the Bidding and Tendering Law of the People’s Republic of China (中華人民共和國招標投標法實施條例) promulgated by State Council on 20 December 2011 which became effective on 1 February 2012

and was amended respectively on 1 March 2017, 19 March 2018 and 2 March 2019, Measures for the Construction Bidding and Tendering of Construction Projects (工程建設項目施工招標投標辦法) jointly promulgated by NDRC, Ministry of Construction of the PRC (the “MOC”), Ministry of Railways, Ministry of Transport of the PRC (the “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 in 2013, Administrative Measures for the Bidding and Tendering of Design of Construction Projects (建築工程設計招標投標管理辦法) issued by MOC on 24 January 2017 and became effective on 1 May 2017, Administrative Measures for the Bidding and Tendering of Housing Construction and Municipal Infrastructure Work (房屋建築和市政基礎設施工程施工招標投標管理辦法) issued by MOC on 1 June 2001 and became effective on the same date and amended respectively on 28 September 2018 and 13 March 2019, and the Administrative Measures for the Bidding and Tendering of Highway Engineering Construction Projects (公路工程建設項目招標投標管理辦法) promulgated by MOT on 8 December 2015 which became effective on 1 February 2016.

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

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

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

Quality Management

Laws and regulations on project quality mainly include Construction Law of the People’s Republic of China, Regulation on Quality Management of Construction Projects (建設工程質量管理條例) issued by the State Council on 30 January 2000 and which became effective on the same date and was amended respectively on 7 October 2017 and 23 April 2019, Administrative Measures for Quality Management of Construction Project Survey (建設工程勘察質量管理辦法) which was amended by MOC on 22 November 2007 and became effective on the same date and which was amended by the Ministry of Housing and Urban-Rural Development of the PRC on 1 April 2021, 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 Ministry of Housing and Urban-Rural Development of the PRC on 19 October 2009 and became effective on the same date, Measures for Quality Warranty of Building Construction Projects (房屋建築工程質量保修辦法) issued by MOC on 30 June 2000 and became effective on the same date and Measures for Completion (Delivery) Acceptance of Highway Works (公路工程竣(交)工驗收辦法) promulgated by MOT on 31 March 2004 and became effective on 1 October 2004, and its Implement which is promulgated on 1 May 2010. According to the Regulation on Quality Management of Construction Projects, all the building, surveying, designing, construction and supervision units shall be responsible for the quality of the construction projects. The competent

administrative department of construction at or above county level is the competent authority for quality supervision and management of construction projects.

Environmental Protection Management

Major laws and regulations on environmental protection during the project construction process include the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) amended by SCNPC on 24 April 2014 which became effective on 1 January 2015, Law on Environmental Impact Assessment of the People's Republic of China (中華人民共和國環境影響評價法), which was promulgated by SCNPC on 28 October 2002, became effective on 1 September 2003 and amended respectively on 2 July 2016 and 29 December 2018, Administrative Regulations on Environmental Protection of Construction Projects (建設項目環境保護管理條例) issued by State Council on 29 November 1998 and became effective on the same date and was amended in 2017. In accordance with the provisions of the Administrative Regulations on Environmental Protection of Construction Projects and Administrative Measures for Environmental Protection Acceptance of Construction Projects upon Completion, the PRC Government implements the system of environmental impact assessment on construction projects. After the completion of a construction project, the competent administrative department of environmental protection will undergo environmental protection acceptance process and assess whether the construction project has met the requirements for environmental protection.

ENVIRONMENTAL PROTECTION

China has promulgated a series of laws and regulations which establish national and local legal frameworks for environmental protection. These laws and regulations include standards applicable to emission controls, discharges of wastes and pollutants to the environment, generation, handling, storage, transportation, treatment and disposal of waste materials by production facilities, land rehabilitation and reforestation.

The PRC Environmental Protection Law (中華人民共和國環境保護法) requires that enterprises, public institutions, and other business operators that discharge pollutants shall adopt measures to prevent and control pollution and damage to environment caused by waste gas, waste water, waste residue, medical wastes, dust, malodorous gases, radioactive substances, noise, vibration, optical radiation, electromagnetic radiation, and other substances generated in their production, construction, and other activities. Pollutant discharging entities under intensified supervision shall install and use monitoring equipment in accordance with the relevant provisions of the state and the monitoring norms, ensure the normal functioning of monitoring equipment, and preserve the original monitoring records. On 24 April 2014, the Standing Committee of National People's Congress passed the Amended Environmental Protection Law (中華人民共和國環境保護法 (2014 修訂)), pursuant to which, effective 1 January 2015, more responsibility has been imposed on local governments and unlimited fines will be imposed on polluters. In addition, projects without environmental evaluation in accordance with relevant laws are not allowed to commence construction.

On 10 September 2013, the State Council issued the Action Plan for Prevention and Control of Atmospheric Pollution (大氣污染防治行動計劃) (the “**Action Plan**”), pursuant to which the PRC government plans to devote more efforts to prevent and control atmospheric pollution. On 17 September 2013, the State Council further issued the Rules for the Implementation for the Action Plan for Prevention and Control of Atmospheric Pollution in Beijing-Tianjin-Hebei metropolitan region, pursuant to which the PRC government aims to reduce atmospheric pollution and improve air quality.

According to the Law on Prevention and Control of Water Pollution of the PRC (中華人民共和國水污染防治法), any new construction projects which directly or indirectly discharge pollutants to water, such as coal mines and coking plants, must conduct an environmental impact assessment. Every new production facility must be equipped with wastewater processing facilities which must be put in use together with the production facilities. Construction projects that discharge pollutants into water shall pay a pollutant discharge fee in accordance with state regulations.

On 26 October 2018, the Law on Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法) (the “**Atmospheric Pollution Law**”) was amended and promulgated by the Standing Committee of National People's Congress of the PRC, which was effective on the same date. The Atmospheric Pollution Law has, among other things, set standards, plans and timelines to reach the atmospheric pollution control targets,

provide detailed regulations on major pollution sources and impose stringent requirements to control the pollution from coal-fire, automobile, vessel and volatile organic compounds.

The rehabilitation of mining sites is another priority of the PRC government. Under the Law of Land Administration of the PRC(中華人民共和國土地管理法)as amended respectively on 28 August 2004 and 26 August 2019, which took effect on 1 January 2020, the Regulation on Land Reclamation(土地復墾條例)effected on 5 March 2011 and the Implementation Measures on the Regulation on Land Reclamation(土地復墾條例實施辦法)effected on 1 March 2013 and amended on 24 July 2019, coal producers must undertake measures to restore a mining site to its original state within a prescribed time frame if their mining activities result in damage to arable land, grassland or forest. The rehabilitated land must meet rehabilitation standards, as required by law from time to time, and may only be subsequently used upon examination and approval by the land authorities.

In addition to the PRC environmental laws and regulations, China is a signatory to the 1992 United Nations Framework Convention on Climate Change(聯合國氣候變化框架公約)and the 1998 Kyoto Protocol(京都議定書), which propose emission targets to reduce greenhouse gas emissions. The Kyoto Protocol came into force in 2005. At present, the Kyoto Protocol has not set any specific emission targets for certain countries, including China.

REGULATIONS ON EMPLOYMENT RELATIONSHIPS

Labour Laws

Pursuant to the PRC Labour Law(勞動法)which was promulgated on 5 July 1994 and amended respectively on 27 August 2009 and 29 December 2018 and the Labour Contract Law(勞動合同法)which was promulgated on 29 June 2007 and became effective on 1 January 2008 and which was further amended on 28 December 2012, if an employment relationship is established between an entity and its employees, written labour contracts shall be signed. The relevant laws stipulate the maximum number of working hours per day and per week, respectively. Furthermore, the relevant laws also set forth the minimum wages. The entities shall establish and develop systems for occupational safety and sanitation, implement the rules and standards of the State on occupational safety and sanitation, educate employees on occupational safety and sanitation, prevent accidents at work and reduce occupational hazards.

Social Security Laws

Under applicable PRC laws, rules and regulations, including the Social Security Law of the PRC(社會保險法)which was promulgated on 28 October 2010 and which was amended on 29 December 2018, the Interim Measures Concerning the Maternity Insurance of Enterprises Employees(企業職工生育保險試行辦法)which became effective on 1 January 1995, the Interim Regulations on the Collection and Payment of Social Security Funds(社會保險費征繳暫行條例)which was promulgated and became effective on 22 January 1999 and amended on 24 March 2019, the Regulation on Work-Related Injury Insurance(工傷保險條例), which was promulgated on 27 April 2003 and which was further amended on 20 December 2010 and took effect on 1 January 2011 and the Regulations on the Administration of Housing Accumulation Funds(住房公積金管理條例)which was promulgated on 3 April 1999 and further amended respectively on 24 March 2002 and 24 March 2019, employers are required to make contribution to the basic pension insurance fund, unemployment insurance, basic medical insurance fund, work-related injury insurance fund, maternity leave insurance fund and housing accumulation funds for their employees.

If the employer fails to make social security registration and refuses to rectify within the prescribed time limits, in addition to a standard penalty of anywhere between RMB500 to RMB3,000 imposed directly on the responsible persons which are directly in charge and involved, the employer will also be subject to a penalty which is calculated based on one to three times of the outstanding social security contributions.

TAXATION

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

PRC

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 (中華人民共和國企業所得稅法), 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 (中華人民共和國企業所得稅法實施條例) 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 seals 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 Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, we cannot assure you that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future.

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

inside the PRC must pay enterprise income tax on income sourced within the PRC, and such income tax must be withheld at source by the PRC payer acting as a withholding agent. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer may be required to withhold income tax from the payments of interest in respect of the Bonds to any non-resident enterprise 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 (中華人民共和國個人所得稅法) 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 a lower rate may apply to qualified non-resident holders of Bonds.

VAT

On 23 March 2016, the Ministry of Finance and the SAT issued 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 (財政部、稅務總局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 (財政部、稅務總局、海關總署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

The Issuer is exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands.

Payments of principal, premium or interest in respect of the Bonds to persons who are not resident in the British Virgin Islands are not subject to British Virgin Islands tax or withholding tax.

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

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

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

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement, among others, with the Managers dated 1 June 2022 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the investors identified by the Managers, and the Managers has agreed to facilitate the subscription and payment for the aggregate principal amount of the Bonds.

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

General

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

United States

The Bonds and the Standby Letter of Credit 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 Managers 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 Managers 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 Managers has represented, warranted and agreed that:

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

Prohibition of Sales to EEA and UK Investors

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the European Economic Area or in the United Kingdom. For the purposes of this provision the expression “retail investor” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or

- (b) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Hong Kong

Each of the Managers 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.

The People’s Republic of China

Each of the Managers 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.

Singapore

Each of the Managers has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Managers 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 Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor 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 Managers 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.

British Virgin Islands

Each of the Managers has represented, warranted and agreed that no invitation has been made or will be made, directly or indirectly, to any person in the British Virgin Islands or to the public in the British Virgin Islands to purchase the Bonds and the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by the British Virgin Islands law.

This Offering Circular does not constitute, and there will not be, an offering of the Bonds to any person in the British Virgin Islands.

GENERAL INFORMATION

Clearing Systems: The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 248541709 and ISIN XS2485417096.

Authorisations: The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by the written resolutions of the directors of the Issuer on 21 April 2022. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of its obligations under the Deed of Guarantee, the Trust Deed and the Agency Agreement. The giving of the Guarantee was authorised by a resolution of the board of directors of the Guarantor dated 3 September 2021, a resolution of the board of directors of the Guarantor dated 5 May 2022 and a shareholder's resolution of the Guarantor dated 1 December 2021.

No Material Adverse Change: Save as disclosed in this Offering Circular, there has been no material adverse change, or any development or event likely to involve a prospective change, in the condition (financial or otherwise), prospects, properties, results of operations, business or general affairs of the Issuer, the Guarantor or the Group since 31 December 2021.

Litigation: Save as disclosed in this Offering Circular, none of the Issuer, the Guarantor or any other member of the Group is not involved in any litigation or arbitration proceedings that the Issuer or Guarantor believes are material in the context of the Bonds and the giving of the Guarantee, and so far as the Issuer and the Guarantor are aware, no such proceedings are pending or threatened.

Available Documents: So long as any of the Bonds is outstanding, copies of the following documents will be available for inspection from the Issue Date upon prior written request and satisfactory proof of holding and identity at all reasonable times during usual business hours (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 registered office of the Issuer and, in the case of last four documents mentioned below, at the corporate trust office of the Trustee (currently at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong) and the registered office of the Issuer:

- the articles of association of the Issuer and the Guarantor;
- the Guarantor's Audited Consolidated Financial Statements;
- Standby Letter of Credit;
- the Trust Deed;
- the Deed of Guarantee; and
- the Agency Agreement.

LEI: The legal entity identifier number of the Issuer is 3003009LR3ABSP3CWC13.

Listing: Application will be made to the SEHK for the listing of, and permission to deal in, the Bonds by way of debt securities issued to Professional Investors only and such permission is expected to become effective on or about the first business day following the Issue Date.

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Taizhou Xintai Group Co., Ltd.

Audit Report

DHS Zi [2022] No. 100043

**Da Hua Certified Public Accountants (Special
General Partnership)**

Da Hua Certified Public Accountants (Special General Partnership)

Taizhou Xintai Group Co., Ltd.
Audit Report and Financial Statements
(From January 1, 2021 to December 31, 2021)

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A u d i t R e p o r t

DHS Zi [2022] No. 100043

Taizhou Xintai Group Co., Ltd. All shareholders:

I. Audit Opinions

We audited the financial statements of Taizhou Xintai Group Co., Ltd. (hereinafter referred to as Xintai Group), including the Consolidated and Balance Sheet of Parent Company on December 31, 2021, the Consolidated and Income Statement of Parent Company in 2021, the Consolidated and the Cash Flow Statement of Parent Company, the Consolidated and the Statement of Changes in Owners' Equity of Parent Company, as well as the Notes to Financial Statement.

We think that the attached financial statements are prepared in accordance with the provisions of Accounting Standards for Business Enterprises (“ASBE”) in all major aspects, which fairly present the consolidated financial position of Xintai Group and the financial status of the parent company on December 31, 2021, as well as the consolidated operating results and cash flows of Xintai Group and the operating results and cash flows of the parent company in 2021.

II. Basis for Audit Opinions

We have conducted our audit in accordance with the Auditing Standards for Chinese Certified Public Accountants. Our responsibilities thereunder are further described in the "Responsibilities of Certified Public Accountant for Audit of Financial Statements" section of the Audit Report. We are independent of Xintai Group in accordance with the Code of Professional Conduct and Ethics for Chinese Certified Public Accountants, and we have fulfilled other ethical responsibilities. We

believe that the audit evidences we have obtained are sufficient and appropriate to provide a basis for our audit opinions.

III. Responsibilities of the Management and Governance for Financial Statements

The Xintai Group management is responsible for preparing financial statements in accordance with provisions of Accounting Standards for Business Enterprises to realize a fair presentation of financial conditions, and also for designing, implementing as well as maintaining necessary internal control to avoid the material misstatements in the financial statements caused by fraud or mistakes.

When preparing the financial statements, the management of Xintai Group was responsible for evaluating the going-concern ability of Xintai Group, disclosing matters regarding going-concern (if applicable), and applying the going-concern assumption, unless the management plans to liquidate Xintai Group, terminate operation or has no other realistic choices.

The governance is responsible for supervising the financial report process of Xintai Group.

IV. Certified Public Accountants' Responsibilities for the Audit of the Financial Statements

Our goal is to obtain a reasonable guarantee on no material misstatements of the financial statements due to fraud or mistakes and to issue an audit report including audit opinions. Although regarded as a high-level guarantee, such reasonable guarantee still cannot ensure that any material misstatement in the audit conducted in accordance with the auditing standards can always be found. Misstatements may be caused by frauds or errors. If it is reasonably expected that the misstatement alone or aggregated may affect the economic decision made by the financial

statement user based on the financial statements, the misstatement is generally considered to be significant.

During the process of carrying out the audit work according to the auditing standards, we apply occupation judgment and keep occupational skepticism. Meanwhile, we also perform the following tasks:

1. Identify and assess material misstatement risks caused by frauds or errors of the financial statement, design and execute audit procedures to handle with these risks, and obtain adequate, proper audit evidence as the basis for stating audit conclusion. Since the fraud may involve collusion, forgery, intentional omission, misrepresentation or goes beyond internal control, the risk of failure to detect any material misstatement due to fraud is higher than that of failure to detect any material misstatement due to mistakes;

2. learned internal control related to the audit to design proper audit procedures, but not for the purpose of giving opinions on the effectiveness of such internal control;

3. Evaluate the appropriateness of the accounting policy adopted by the management and the reasonableness of accounting estimates and related disclosures.

4. Make a conclusion on the appropriateness of the continuing operation hypothesis presented by the management. In the meanwhile, according to the audit evidences accessed, conclusions about the existence of the material uncertainty of matters or situations which cause suspicion of the going-concern ability of Xintai Group will be drawn. In case that we come to the conclusion of the existence of material uncertainty, the auditing standards require us to remind the users of the statements to pay attention to related disclosure in the financial statements in the audit report; In case of any insufficient disclosure, we

should give modified opinions. Our conclusion is made based on the available information up to the audit report day. However, future events or circumstances may lead to failure of going-concern of Xintai Group.

5. Evaluate the general presentation, structure and content of the financial statements, and evaluate whether financial statements can fairly reflect relevant transactions and issues.

6. To obtain sufficient and appropriate audit evidence for the financial information in the entity or business activities of Xintai Group to give audit opinions on the financial statements. We are responsible for guiding, supervising and implementing group audit, and assume full responsibility for the audit opinion. We assume full responsibility for the audit opinions.

We communicate with the Governance Layer with respect to the planned audit scope, time arrangement, major audit findings and other matters, including communicating the internal control deficiencies identified in our audit.

Dahua Certified Public Accountants

(Special General Partnership) Jiangsu CCPA:



Nanjing, China



Sun Jingxia

CCPA:



Yuan Zhongxian

May 9, 2022



Consolidated Balance Sheet

12/31/2021

Prepared by: Taizhou Xintai Group Co., Ltd.

Assets	Note VI	Ending balance	Beginning balance
Current assets:			
Monetary fund	Note 1	3,955,489,041.03	4,211,461,182.92
Trading financial assets			
Derivative financial assets			
Notes receivable	Note 2	100,559,000.00	1,050,000.00
Accounts receivable	Note 3	546,205,594.24	32,023,286.56
Receivable financing	Note 4	250,400,000.00	218,700,000.00
Advance payment	Note 5	319,072,242.01	807,801,399.30
Other receivables	Note 6	17,573,754,976.13	17,102,167,915.76
Stock	Note 7	27,439,201,774.79	12,667,801,599.07
Contract assets			
Held-for-sale assets			
Non-current assets due within one year	Note 8	194,018,374.91	196,566,090.95
Other current assets	Note 9	109,731,761.87	338,317,979.19
Total current assets		50,488,432,764.98	35,575,889,453.75
Non-current assets:			
Creditors' right investment			
Other creditors' right investment			
Long-term receivables	Note 10	760,395,247.13	757,847,531.09
Long-term equity investments	Note 11	121,038,900.62	159,334,066.48
Other equity instrument investments			
Other non-current financial assets	Note 12	1,641,095,390.77	1,601,651,008.12
Investment properties	Note 13	9,306,195,700.00	7,244,792,051.00
Fixed assets	Note 14	223,681,447.30	1,060,637,618.55
Construction in progress	Note 15	322,603,675.98	14,215,397,833.78
Productive biological assets			
Oil-and-gas assets			
Right-to-use assets			
Intangible assets	Note 16	2,075,406,489.49	2,171,999,960.25
Development expenditures			
Goodwill	Note 17	1,696,363.15	1,696,363.15
Long-term unamortized expenses	Note 18	2,807,772.63	2,232,758.61
Deferred income tax assets	Note 19	5,270,644.46	4,537,547.71
Other non-current assets	Note 20	343,410,975.44	353,789,417.22
Total non-current assets		14,803,602,606.97	27,573,916,155.96
Total assets		65,292,035,371.95	63,149,805,609.71

(The attached notes to financial statements is a component of the consolidated financial statements)

Legal representative of the enterprise: Person in charge of accounting

Principal of accounting agency:



Consolidated Balance Sheet (Continued)

12/31/2021

Prepared by: Taizhou Xintai Group Co., Ltd.

Liabilities and shareholders' equities	Note VI	Ending balance	Beginning balance
Current liabilities:			
Short-term loans	Note 21	3,437,431,422.00	1,669,445,920.00
Trading financial liabilities			
Derivative financial liabilities			
Notes payable	Note 22	1,093,607,261.00	1,410,000,000.00
Accounts payable	Note 23	80,635,290.46	687,089,856.98
Advance receipt		-	
Contract liabilities	Note 24	113,616,937.78	58,423,136.03
Payroll payable	Note 25	3,300,319.33	3,542,560.84
Taxes payable	Note 26	150,480,324.88	141,129,106.61
Other payables	Note 27	1,605,491,593.41	1,672,301,031.72
Held-for-sale liabilities			
Non-current liabilities due within one year	Note 28	10,024,047,477.13	10,444,461,592.53
Other current liabilities	Note 29	2,364,766,787.08	1,007,595,007.68
Total current liabilities		18,873,377,413.07	17,093,988,212.39
Non-current liabilities:			
Long-term loans	Note 30	13,975,187,200.00	16,109,285,000.00
Bonds payable	Note 31	7,716,426,190.33	5,502,102,815.67
Wherein: Preferred shares			
Perpetual bond			
Lease liabilities			
Long-term payables	Note 32	1,257,203,045.94	1,798,361,256.89
Long-term employee compensation payable			
Estimated liabilities			
Deferred incomes	Note 33	2,812,192.46	3,092,104.66
Deferred income tax liabilities	Note 18	785,339,959.05	595,190,399.45
Other non-current liabilities			
Total non-current liabilities		23,736,968,587.78	24,008,031,576.67
Total liabilities		42,610,346,000.85	41,102,019,789.06
Shareholders' equities:			
Share capital	Note 34	10,050,725,604.00	10,050,725,604.00
Other equity instruments			
Wherein: Preferred shares			
Perpetual bond			
Capital reserves	Note 35	7,245,953,684.12	7,245,953,684.12
Minus: Treasury shares			
Other comprehensive incomes	Note 36	2,165,459,378.30	1,674,059,223.18
Special reserves			
Surplus reserve	Note 37	386,902,526.51	348,731,982.64
Undistributed profits	Note 38	2,780,809,106.30	2,673,508,546.63
Total equities attributable to the parent company shareholders		22,629,850,299.23	21,992,979,040.57
Minority shareholders' equities		51,839,071.87	54,806,780.08
Total shareholders' equities		22,681,689,371.10	22,047,785,820.65
Total liabilities and shareholders' equities		65,292,035,371.95	63,149,805,609.71

(The attached notes to financial statements is a component of the consolidated financial statements)

Legal representative of the enterprise: Person in charge of accounting:

Principal of accounting agency:

3212000012352

3212910059442

3212910028560

Consolidated Profit Statement			
Year 2021			
Prepared by: Taizhou Xintai Group Co., Ltd.		(Unless otherwise noted, the monetary unit is RMB Yuan)	
Item	Note VI	Amount of the current period	Amount of the last period
I. Operating incomes	Note 39	4,444,167,208.89	3,180,287,082.92
Minus: Operating costs	Note 39	4,160,309,959.35	2,847,368,699.45
Taxes and surcharges	Note 40	47,006,081.15	79,691,586.24
Sales expenses	Note 41	1,317,231.78	994,045.76
Administrative expenses	Note 42	63,557,936.25	67,213,679.74
R&D expenses			
Financial expenses	Note 43	92,932,703.11	61,448,323.50
Wherein: Interest expenses		134,020,740.32	64,908,510.93
Interest incomes		34,266,011.36	8,403,396.78
Plus: Other incomes	Note 44	297,286,386.88	278,561,516.07
Income from investment (loss is expressed with "-")	Note 45	-37,868,906.66	-39,352,604.37
Wherein: Incomes from investments in associated enterprises and joint ventures			
Incomes from derecognition of financial assets measured by amortized cost			
Incomes from net exposure hedging (the loss is expressed with "-")			
Incomes from changes in fair values (the loss is expressed with "-")	Note 46	119,005,949.00	63,002,000.00
Losses from credit impairment (the loss is expressed with "-")	Note 47	-2,932,387.01	
Losses from asset impairment (the loss is expressed with "-")	Note 48		5,736,727.54
Income from asset disposal (loss is expressed with "-")			
II. Operating profits (the loss is expressed with "-")		454,534,339.46	431,518,387.47
Plus: Non-operating income	Note 49	5,467,923.58	65,876.28
Minus: Non-operating expenses	Note 50	3,335,003.99	1,303,819.30
III. Total profits (total loss is expressed with "-")		456,667,259.05	430,280,444.45
Minus: Income tax expenses	Note 51	102,924,010.75	76,456,416.43
IV. Net profits (the net loss is expressed with "-")		353,743,248.30	353,824,028.02
Wherein: Net profits realized by the merged party of business merger under the same control before the merger			
(I) Classification by operation continuity			
Net profits from going concern (the net loss is expressed with "-")		353,743,248.30	353,824,028.02
Net profits from termination of business (the net loss is expressed with "-")			
(II) Classification by ownership			
Net profits attributable to the owner of parent company (net loss is expressed with "-")		350,084,966.06	349,417,790.10
Profits and losses of minority shareholders (the net loss is expressed with "-")		3,658,282.24	4,406,237.92
V. Net of tax of other comprehensive incomes		491,400,155.12	202,591,537.25
Net of tax of other comprehensive incomes attributable to the owners of the parent company		491,400,155.12	202,591,537.25
(I) Other comprehensive incomes that cannot be reclassified into profits and losses			
1 Re-measure and set net change amount of defined benefit plan changes			
2 Other comprehensive incomes that cannot be transferred into the profits and losses under the equity method			
3 Fair value change of other equity instrument investment			
4 Fair value changes of enterprise's own credit risk			
5 Other			
(II) Other comprehensive incomes that can be reclassified into profits and losses		491,400,155.12	202,591,537.25
1 Other comprehensive incomes that can be transferred into the profits and losses under the equity method			
2 Fair value changes of other creditors' right investment			
3 Amount of financial assets reclassified into other comprehensive incomes			
4 Credit impairment provision of other creditors' right investment			
5 Cash flow hedging reserves			
6 Conversion balance of foreign currency financial statements			
7 Investment incomes from investment to subsidiary equity by package deal disposal before losing control right			
8 Other assets transferred to investment real estate measured by fair value mode		491,400,155.12	202,591,537.25
9 Other			
Net of tax of other comprehensive incomes attributable to the minority shareholders			
VI. Total comprehensive incomes		845,143,403.42	556,415,565.27
Total comprehensive incomes attributable to the owners of the parent company		841,485,121.18	552,009,327.35
Total comprehensive incomes attributable to minority shareholders		3,658,282.24	4,406,237.92
VII. Earnings per share:			
(I) Basic earnings per share			
(II) Diluted earnings per share			
(The attached notes to financial statements is a component of the consolidated financial statements)			
Legal representative of the enterprise: Person in charge of accounting:	Principal of accounting agency:		
3212000012352	3212910059442	3212910028560	

Consolidated Statement of Cash Flow

Year 2021

Prepared by: Taizhou Xintai Group Co., Ltd.

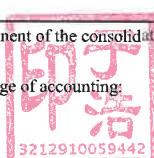
(Unless otherwise noted, the monetary unit is RMB Yuan)

Item	Note VI	Amount of the current period	Amount of the last period
I. Cash flows from operating activities:			
Cash received from sales of goods or labor provision		4,578,833,285.47	3,785,897,686.58
Taxes and fees refund received		7,924.98	1,623,831.23
Other cash received relating to operating activities	Note 52	5,315,091,761.09	7,629,331,937.92
Subtotal of cash inflows from operating activities		9,893,932,971.54	11,416,853,455.73
Cash paid for purchasing goods and accepting labor services		5,290,221,592.12	2,255,303,629.93
Cash paid to and for employees		9,911,155.64	10,289,958.70
Taxes and fees paid		557,012,125.24	323,185,809.29
Other cash paid relating to operating activities	Note 52	3,792,507,116.61	8,536,927,813.18
Subtotal of cash outflows from operating activities		9,649,651,989.61	11,125,707,211.10
Net cash flow from operating activities		244,280,981.93	291,146,244.63
II. Cash flows from investing activities:			
Cash received from investment recovery		52,768,200.00	11,665,891.88
Cash received from investment incomes		4,505,121.72	3,311,555.86
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		-	-
Net cash received from disposal of subsidiaries and other business units		-	-
Other cash received relating to investing activities		-	-
Subtotal of cash inflows from investing activities		57,273,321.72	14,977,447.74
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		370,306,951.51	1,246,371,953.42
Cash paid for investments		93,285,882.07	640,000,000.00
Net cash paid for acquisition of subsidiaries and other business units		-	-
Other cash paid relating to investing activities		-	-
Subtotal of cash outflows from investing activities		463,592,833.58	1,886,371,953.42
Net cash flow from investing activities		-406,319,511.86	-1,871,394,505.68
III. Cash flows from financing activities:			
Cash received from attracting investments		-	2,023,679,156.90
Wherein: Cash received by subsidiaries from absorbing investments from minority shareholders		-	-
Cash received from borrowings		15,396,956,822.00	15,440,465,920.00
Other cash received relating to financing activities		1,915,452,199.94	4,050,900,910.93
Subtotal of cash inflows from financing activities		17,312,409,021.94	21,515,045,987.83
Cash paid for repayment of debts		14,924,618,888.67	15,944,620,371.50
Cash paid for distribution of dividends, profits or repayment of interests		1,805,132,954.94	1,723,403,401.57
Wherein: Dividends and profits paid to minority shareholders by subsidiaries		-	-
Other cash paid relating to financing activities		2,384,283,964.59	4,309,880,119.44
Subtotal of cash outflows from financing activities		19,114,035,808.20	21,977,903,892.51
Net cash flow from financing activities		-1,801,626,786.26	-462,857,904.68
IV. Effect of change in exchange rate on cash and cash equivalents		11,463,409.82	-903,408.37
V. Net increase in cash and cash equivalents		-1,952,201,906.37	-2,044,009,574.10
Plus: Balance of cash and cash equivalents at the beginning of the period		2,208,459,882.92	4,252,469,457.02
VI. Balance of cash and cash equivalents at the ending of the period		256,257,976.55	2,208,459,882.92

(The attached notes to financial statements is a component of the consolidated financial statements)

Legal representative of the enterprise: Person in charge of accounting:

Principal of accounting agency:



Consolidated Statement of Changes in Shareholders' Equities

Year 2021

(Unless otherwise noted, the monetary unit is RMB Yuan)

Item	Amount of the last period						
	Equities attributable to the shareholders of the parent company						
	Share capital	Preferred shares	Other equity instruments	Capital reserves	Minus: Treasury shares	Other comprehensive income	Minority shareholders' equities
I. Ending balance of the last year	10,050,725,604.00			6,605,497,027.22		1,471,467,685.93	49,895,955.84
Plus: Changes in accounting policies							
Early error correction							
Business merger under the same control							
Other							
II. Opening balance of the current year	10,050,725,604.00			6,605,497,027.22		1,471,467,685.93	49,895,955.84
III. Increased and decreased amount of current year				640,456,656.90		202,591,537.25	4,910,824.24
(I) Total comprehensive incomes							
(II) Capital invested and reduced by the shareholders							
1. Common shares invested by shareholders				640,456,656.90			
2. Capital invested by other equity instrument holders				640,456,656.90			
3. Amount of stock payment included into the owner's equities							
4. Miscellaneous							
(III) Profit distribution							
1. Extract for surplus reserves							
2. Distribution to shareholders							
3. Miscellaneous							
(IV) Internal carry-over of shareholders' equities							
1. Capital surplus transferring to share capital							
2. Increase capital stock by transferring with surplus reserve							
3. Recovery of losses by surplus reserves							
4. Carry-forward of change in the defined benefit plan for retained earnings							
5. Retained income of the carry-over in other comprehensive incomes							
6. Miscellaneous							
(V) Special reserves							
1. Withdrawal in the current period							
2. Used in current period							
(VI) Others							
IV. Ending balance of the current year	10,050,725,604.00			7,245,953,684.12		1,674,059,223.18	54,806,780.08

(The attached notes to financial statements is a component of the consolidated financial statements)

Legal representative of the enterprise:

Person in charge of accounting:

Principal



Balance Sheet of the Parent Company

12/31/2021

Prepared by: Taizhou Xintai Group Co., Ltd.

Assets	Note XI	Ending balance	Beginning balance
Current assets:			
Monetary fund		691,810,245.07	1,472,954,388.92
Trading financial assets			
Derivative financial assets			
Notes receivable			
Accounts receivable	Note 1	438,954,648.74	
Receivable financing			
Advance payment		258,103,492.09	265,003,514.94
Other receivables	Note 2	21,605,289,334.71	20,063,616,573.96
Stock		25,366,315,273.53	10,601,842,191.96
Contract assets			
Held-for-sale assets			
Non-current assets due within one year		194,018,374.91	196,566,090.95
Other current assets		98,154,249.79	329,103,955.26
Total current assets		48,652,645,618.84	32,929,086,715.99
Non-current assets:			
Creditors' right investment			
Other creditors' right investment			
Long-term receivables		760,395,247.13	757,847,531.09
Long-term equity investments	Note 3	3,294,777,958.04	2,724,673,665.72
Other equity instrument investments			
Other non-current financial assets		1,105,500,208.70	1,103,551,008.12
Investment properties		5,875,893,700.00	4,436,199,051.00
Fixed assets		147,660,005.73	982,569,356.57
Construction in progress			13,902,853,775.31
Productive biological assets			
Oil-and-gas assets			
Right-to-use assets			
Intangible assets		17,258,457.43	80,300,871.54
Development expenditures			
Goodwill			
Long-term unamortized expenses		1,140,239.49	1,403,309.20
Deferred income tax assets		205,239,908.66	207,479,648.66
Other non-current assets		11,407,865,725.18	24,196,878,217.21
Total non-current assets		11,407,865,725.18	24,196,878,217.21
Total assets		60,060,511,344.02	57,125,964,933.20

(The attached notes to financial statements is a component of the consolidated financial statements)

Legal representative of the enterprise: Person in charge of accounting:



Principal of accounting agency:



Balance Sheet of the Parent Company (Continued)

2021年12月31日

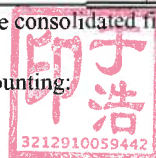
Prepared by: Taizhou Xintai Group Co., Ltd.

Liabilities and shareholders' equities	Note XI	Ending balance	Beginning balance
Current liabilities:			
Short-term loans			
Trading financial liabilities		1,875,192,790.00	1,129,445,920.00
Derivative financial liabilities			
Notes payable			
Accounts payable		120,000,000.00	50,000,000.00
Advance receipt		49,414,673.18	73,441,202.80
Contract liabilities			
Payroll payable			
Taxes payable		206,313.53	417,784.69
Other payables		130,819,882.10	120,646,951.90
Held-for-sale liabilities		5,392,327,666.83	5,279,900,152.58
Non-current liabilities due within one year			
Other current liabilities		8,386,466,542.05	8,134,216,790.84
Total current liabilities		<u>2,350,000,000.00</u>	<u>1,000,000,000.00</u>
		<u>18,304,427,867.69</u>	<u>15,788,068,802.81</u>
Non-current liabilities:			
Long-term loans			
Bonds payable		12,863,997,200.00	15,142,085,000.00
Wherein: Preferred shares		7,203,054,963.53	4,986,489,913.38
Perpetual bond			
Lease liabilities			
Long-term payables			
Long-term employee compensation payable		654,620,410.34	713,187,245.97
Estimated liabilities			
Deferred incomes			
Deferred income tax liabilities			
Other non-current liabilities		384,592,499.66	279,239,808.06
Total non-current liabilities		<u>21,106,265,073.53</u>	<u>21,121,001,967.41</u>
Total liabilities		<u>39,410,692,941.22</u>	<u>36,909,070,770.22</u>
Shareholders' equities:			
Share capital			
Other equity instruments		10,050,725,604.00	10,050,725,604.00
Wherein: Preferred shares			
Perpetual bond			
Capital reserves			
Minus: Treasury shares		6,237,726,420.63	6,237,726,420.63
Other comprehensive incomes			
Special reserves		1,017,862,876.21	766,109,075.09
Surplus reserve			
Undistributed profits		386,902,526.51	348,731,982.64
Total shareholders' equities		<u>2,956,600,975.45</u>	<u>2,813,601,080.62</u>
		<u>20,649,818,402.80</u>	<u>20,216,894,162.98</u>
Total liabilities and shareholders' equities		<u>60,060,511,344.02</u>	<u>57,125,964,933.20</u>

(The attached notes to financial statements is a component of the consolidated financial statements)

Legal representative of the enterprise: Person in charge of accounting:

Principal of accounting agency:



Income Statement of the Parent Company

Year 2021

Prepared by: Taizhou Xintai Group Co., Ltd.

(Unless otherwise noted, the monetary unit is RMB Yuan)

Item	Note XI	Amount of the current period	Amount of the last period
I. Operating incomes	Note 4	647,381,875.36	706,584,336.86
Minus: Operating costs	Note 4	451,761,195.99	460,061,203.72
Taxes and surcharges		39,138,985.70	45,205,117.01
Sales expenses			
Administrative expenses		23,013,373.95	25,094,918.71
R&D expenses			
Financial expenses		53,311,082.36	22,258,218.27
Wherein: Interest expenses		70,657,251.00	18,378,605.86
Interest incomes		21,178,084.33	
Plus: Other incomes		296,773,320.05	275,462,271.94
Income from investment (loss is expressed with "-")	Note 5	-25,390,585.96	-37,824,775.84
Wherein: Incomes from investments in associated enterprises and joint ventures			
Incomes from derecognition of financial assets measured by amortized cost			
Incomes from net exposure hedging (the loss is expressed with "-")			
Incomes from changes in fair values (the loss is expressed with "-")		99,346,949.00	48,501,000.00
Losses from credit impairment (the loss is expressed with "-")		1,052,278.85	
Losses from asset impairment (the loss is expressed with "-")			6,457,009.86
Income from asset disposal (loss is expressed with "-")			
II. Operating profits (the loss is expressed with "-")		451,939,199.30	446,560,385.11
Plus: Non-operating income		4,260,554.51	48,240.00
Minus: Non-operating expenses		2,831,165.34	837,819.61
III. Total profits (total loss is expressed with "-")		453,368,588.47	445,770,805.50
Minus: Income tax expenses		71,663,149.77	58,567,494.00
IV. Net profits (the net loss is expressed with "-")		381,705,438.70	387,203,311.50
(I) Net profits from going concern (the net loss is expressed with "-")		381,705,438.70	387,203,311.50
(II) Net profits from termination of business (the net loss is expressed with "-")			
V. Net of tax of other comprehensive incomes		251,753,801.12	202,591,537.25
(I) Other comprehensive incomes that cannot be reclassified into profits and losses			
1 Re-measure and set net change amount of defined benefit plan changes			
2 Other comprehensive incomes that cannot be transferred into the profits and losses under the equity method			
3 Fair value change of other equity instrument investment			
4 Fair value changes of enterprise's own credit risk			
5 Other			
(II) Other comprehensive incomes that can be reclassified into profits and losses		251,753,801.12	202,591,537.25
1 Other comprehensive incomes that can be transferred into the profits and losses under the equity method			
2 Fair value changes of other creditors' right investment			
3 Amount of financial assets reclassified into other comprehensive incomes			
4 Credit impairment provision of other creditors' right investment			
5 Cash flow hedging reserves			
6 Conversion balance of foreign currency financial			
7 Investment incomes from investment to subsidiary equity by package deal disposal before losing control right			
8 Other assets transferred to investment real estate measured by fair value mode		251,753,801.12	202,591,537.25
9 Other			
VI. Total comprehensive incomes		633,459,239.82	589,794,848.75
VII. Earnings per share:			
(I) Basic earnings per share			
(II) Diluted earnings per share			

(The attached notes to financial statements is a component of the consolidated financial statements)

Legal representative of the enterprise: Person in charge of accounting:

Principal of accounting agency:

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Statement of Cash Flow of the Parent Company

Year 2021

Prepared by: Taizhou Xintai Group Co., Ltd.

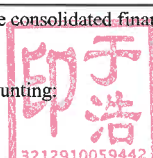
(Unless otherwise noted, the monetary unit is RMB Yuan)

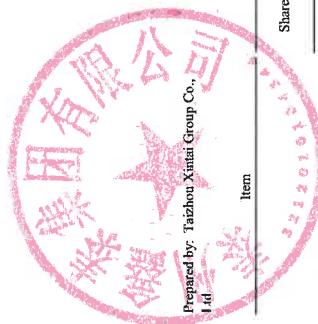
Item	Note XI	Amount of the current period	Amount of the last period
I. Cash flows from operating activities:			
Cash received from sales of goods or labor provision		242,317,169.87	1,297,348,833.53
Taxes and fees refund received			
Other cash received relating to operating activities		10,691,492,770.80	17,942,498,360.97
Subtotal of cash inflows from operating activities		10,933,809,940.67	19,239,847,194.50
Cash paid for purchasing goods and accepting labor services		1,006,036,195.98	368,229,966.59
Cash paid to and for employees		6,409,170.82	5,391,281.88
Taxes and fees paid		134,768,999.59	308,189,105.31
Other cash paid relating to operating activities		10,115,076,441.55	18,031,080,306.18
Subtotal of cash outflows from operating activities		11,262,290,807.94	18,712,890,659.96
Net cash flow from operating activities		-328,480,867.27	526,956,534.54
II. Cash flows from investing activities:			
Cash received from investment recovery		52,768,200.00	11,665,891.88
Cash received from investment incomes		4,505,121.72	4,839,384.39
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investing activities			
Subtotal of cash inflows from investing activities		57,273,321.72	16,505,276.27
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		363,606,741.22	1,204,050,066.83
Cash paid for investments		655,790,700.00	142,000,000.00
Net cash paid for acquisition of subsidiaries and other business units			
Other cash paid relating to investing activities			
Subtotal of cash outflows from investing activities		1,019,397,441.22	1,346,050,066.83
Net cash flow from investing activities		-962,124,119.50	-1,329,544,790.56
III. Cash flows from financing activities:			
Cash received from attracting investments			2,022,479,156.90
Cash received from borrowings		12,890,082,790.00	15,165,465,920.00
Other cash received relating to financing activities		1,760,000,000.00	3,680,900,910.93
Subtotal of cash inflows from financing activities		14,650,082,790.00	20,868,845,987.83
Cash paid for repayment of debts		11,783,273,369.85	14,722,701,233.51
Cash paid for distribution of dividends, profits or repayment of interests		1,731,064,612.64	1,668,389,743.78
Other cash paid relating to financing activities		1,146,283,964.59	3,475,828,488.63
Subtotal of cash outflows from financing activities		14,660,621,947.08	19,866,919,465.92
Net cash flow from financing activities		-10,539,157.08	1,001,926,521.91
IV. Effect of change in exchange rate on cash and cash equivalents			
V. Net increase in cash and cash equivalents		-1,301,144,143.85	199,338,265.89
Plus: Balance of cash and cash equivalents at the beginning of the period		1,468,244,388.92	1,268,906,123.03
VI. Balance of cash and cash equivalents at the ending of the period		167,100,245.07	1,468,244,388.92

(The attached notes to financial statements is a component of the consolidated financial statements)

Legal representative of the enterprise: Person in charge of accounting:

Principal of accounting agency:





Statement of Changes in Shareholders' Equities of the Parent Company

Year 2021

(Unless otherwise noted, the monetary unit is RMB Yuan)

Item	Amount of the current period						
	Share capital	Preferred shares	Other equity instruments	Capital reserves	Minus: Treasury shares	Other comprehensive incomes	Total shareholders' equities
I. Ending balance of the last year	10,050,725,604.00			6,237,726,420.63		766,109,075.09	20,216,894,162.98
Plus: Changes in accounting policies							
Early error correction							
Other							
II. Opening balance of the current year	10,050,725,604.00			6,237,726,420.63		766,109,075.09	20,216,894,162.98
III. Increased and decreased amount of current year						251,753,801.12	432,924,239.82
(I) Total comprehensive incomes						251,753,801.12	633,459,239.82
(II) Capital invested and reduced by the shareholders' shares investment							
1. Capital invested by other equity instrument holders							
3. Amount of stock payment included into the owner's equities							
4. Miscellaneous							
(III) Profit distribution							
1. Extract for surplus reserves							-200,535,000.00
2. Distribution to shareholders							-38,170,543.87
3. Miscellaneous							-200,535,000.00
(IV) Internal carry-over of shareholders' equities							
1. Capital surplus transferring to share capital							
2. Increase capital stock by transferring with surplus reserve							
3. Recovery of losses by surplus reserves							
4. Carry-forward of change in the defined benefit plan for retained earnings							
5. Retained income of the carry-over in other comprehensive incomes							
6. Miscellaneous							
(V) Special reserves							
1. Withdrawal in the current period							
2. Used in current period							
(VI) Others							
IV. Ending balance of the current year	10,050,725,604.00			6,237,726,420.63		1,017,862,876.21	20,649,818,402.80

(The attached notes to financial statements is a component of the consolidated financial statements)

Legal representative of the enterprise:



Person in charge of accounting:



Principal of accounting:



Statement of Changes in Shareholders' Equities of the Parent Company

Year 2021

(Unless otherwise noted, the monetary unit is RMB Yuan)

Prepared by: Taizhou Xintai Group Co., Ltd.

Item	Amount of the last period						
	Share capital	Preferred shares	Other equity instruments	Capital reserves	Minus: Treasury shares	Other comprehensive incomes	Total shareholders' equities
			Perpetual bond				
I. Ending balance of the last year	8,650,725,604.00			5,615,247,263.73		563,517,537.84	17,704,264,446.95
Plus: Changes in accounting policies							
Early error correction							
Other							
II. Opening balance of the current year	8,650,725,604.00			5,615,247,263.73		563,517,537.84	17,704,264,446.95
III. Increased and decreased amount of current year	1,400,000,000.00			622,479,156.90		202,591,537.25	2,512,629,716.03
(I) Total comprehensive incomes							
(II) Capital invested and reduced by the shareholders							
1. Issuance of common shares in excess of par value	1,400,000,000.00			622,479,156.90			585,794,848.75
2. Capital invested by other equity instrument holders							
3. Amount of stock payment included into the owner's equities							
4. Miscellaneous							
(III) Profit distribution							
1. Extract for surplus reserves							
2. Distribution to shareholders							
3. Miscellaneous							
(IV) Internal carry-over of shareholders' equities							
1. Capital surplus transferring to share capital							
2. Increase capital stock by transferring with surplus reserve							
3. Recovery of losses by surplus reserves							
4. Carry-forward of change in the defined benefit plan for retained earnings							
5. Retained income of the carry-over in other comprehensive incomes							
6. Miscellaneous							
(V) Special reserves							
1. Withdrawal in the current period							
2. Used in current period							
(VI) Others							
IV. Ending balance of the current year	10,050,725,604.00			6,237,726,420.63		766,109,075.09	20,216,894,162.98

(The attached notes to financial statements is a component of the consolidated financial statements)

Legal representative of the enterprise:

Person in charge of accounting:

Principal of accounting:



Taizhou Xintai Group Co., Ltd.

Notes to 2021 Annual Financial Statements

I. Company Profile

(I) Registration place, organizational form and headquarters address of the company

Taizhou Xintai Group Co., Ltd. Taizhou Xintai Group Co., Ltd. (hereinafter referred to as "the Company") was formerly known as Taizhou Xintai State-owned Asset Management Co., Ltd., a wholly state-owned limited liability company that was solely invested by the Management Committee of Jiangsu Taizhou Economic Development Zone and approved by Taizhou Municipal People's Government (TZF [2001] No.32) (the shareholder has changed into Taizhou Municipal People's Government), and obtained the *Business License for Enterprise Legal Person* (registration No. 3212001100559) issued by Jiangsu Taizhou Administration for Industry and Commerce on September 14, 2001. Company address: Complex Building of Taizhou Economic Development Zone on South Qingnian Road; Legal representative: Huang Chen; As of December 31, 2018, the Company's registered capital (paid-up capital) was: RMB 2,050,725,604.00; Unified Social Credit Code: 913212917311765790

On November 7, 2019, the Company's registered capital increased from RMB 2,050,725,604.00 to RMB 7,050,725,604.00. The increased registered capital of RMB 5 billion was transferred from the capital surplus, with the special report (SYYS (2019) No.25) issued by Suyajincheng Certified Public Accountants Yancheng Branch.

On December 28, 2019, the Company's registered capital increased from RMB 7,050,725,604.00 to RMB 10,050,725,604.00, and paid-up capital increased by RMB 1.6 billion.

As of December 31, 2019, the Company's registered capital was RMB 10,050,725,604.00, and the Company's paid-up capital was RMB 8,650,725,604.00.

On January 8, 2020, the Company received the increased capital of RMB 1.4 billion from Taizhou Government State-owned Asset Supervision Management Commission. As of December 31, 2020, the Company's registered capital and paid-up capital was RMB 10,050,725,604.00.

As of December 31, 2021, both the Company's registered capital and paid-up capital was RMB 10,050,725,604.00.

(II) Nature of the company business and main operating activities

Operate and manage state-owned assets within the authorized scope; Investment, lease and acquisition of state-owned assets; Restructuring of state-owned assets and their creditor's rights and debts; Acquisition (merger) of assets (equities); Investment in real estate; Domestic and overseas investment promotion and capital introduction; Bidding and tendering of investment projects; Economic information consultation; Intermediary agency service; Operate and manage

collective assets within the authorized scope; Warehousing of general articles; Construction engineering management services; Property management; parking lot management. (For items subject to approval in accordance with law, business activities shall be engaged in upon approval by the competent authorities.)

(III) Approval and report of the financial statement

The financial statements were approved and reported by the board of directors of the Company on May 9, 2022.

II. Scope of consolidated financial statement

A total of 15 households as subjects were brought into the consolidated financial statement in this period, including:

Subsidiary name	Subsidiary type	Level	Shareholding proportion (%)	Voting right proportion (%)
Taizhou Xintai Construction Development Co., Ltd.	Holding subsidiary	Level I	99.41	99.41
Taizhou No.2 Chengnan Sewage Treatment Co., Ltd.	Holding subsidiary	Level I	98.9552	98.9552
Taizhou New Area New Rural Construction Investment Development Co., Ltd.	Wholly-owned subsidiary	Level I	100.00	100.00
Jiangsu Huaxuan Electronic Commerce Co., Ltd.	Wholly-owned subsidiary	Level I	100.00	100.00
Taizhou Auto City Co., Ltd.	Wholly-owned subsidiary	Level I	100.00	100.00
Jiangsu Jiasheng Construction Development Co., Ltd.	Holding subsidiary	Level I	51.00	51.00
Tiazhou Xinyuan Logistics Co., Ltd.	Holding subsidiary	Level I	51.00	51.00
Taizhou Xinrun Gardening Co., Ltd.	Wholly-owned subsidiary	Level I	100.00	100.00
Hong Kong Xin Fu Co., Limited	Wholly-owned subsidiary	Level I	100.00	100.00
Taizhou Xingang New Material Technology Co., Ltd.	Wholly-owned subsidiary	Level II	100.00	100.00
Xin Fu (BVI) Co., Ltd.	Wholly-owned subsidiary	Level II	100.00	100.00
Taizhou Xinquan Environmental Protection Engineering Co., Ltd.	Holding subsidiary	Level II	70.00	70.00
Jiangsu Xinrongyuan Supply Chain Management Co., Ltd.	Holding subsidiary	Level II	40.00	40.00
Taizhou Xinyize Construction Development Co., Ltd.	Wholly-owned subsidiary	Level II	100.00	100.00
Taizhou Xinzhiheng Commerce and Trade Co., Ltd.	Holding subsidiary	Level II	51.00	51.00

Please refer to "Note VII. Profits in Other Main Body (I) in Subsidiary Corporation" for the reason of different shareholding ratios of subsidiary company and voting power proportion as well as holding half or lower voting right with controlling the invested entity basis.

1. Within the current period branch companies, entities with special purpose and controlling operational entities by way of entrusted operation or accepting leases are included into the consolidated scope

Name	Reason for change
Taizhou Xinyize Construction Development Co., Ltd.	Establishment of investment
Taizhou Xinzhiheng Commerce and Trade Co., Ltd.	Establishment of investment

III. Preparation foundation of financial statements

(I) Preparation foundation of financial statements

On the basis of actually occurring transaction and matters, the Company conducts confirmation and measurement in accordance with *Accounting Standards for Business Enterprises -- Basic Standard* issued by the Ministry of Finance and specific Accounting Standards for Business Enterprises, guidelines for application of Accounting Standards for Business Enterprises, explanation of Accounting Standards for Business Enterprises and other related regulations (hereinafter referred to "Accounting Standards for Business Enterprises"), besides, the Company prepares the financial statement by combining with the regulation of China Securities Regulatory Commission *Preparation and Submission Rule No. 15 on Information Disclosure for Companies Offering their Securities to the Public -- General Regulations of Financial Report* (revised in 2014) on the basis of foregoing regulation.

(II) Going concern

The going-concern ability of the Company within 12 months from the end of the report period was evaluated, and no matter or condition that causes significant suspect on the going concern ability was found. Therefore, the financial statements were prepared based on the assumption of going concern.

(III) Basis of accounting and principle of valuation

Accrual basis is taken as the bookkeeping base for accounting in the Company.

IV. Important accounting policies and accounting estimate

(I) Statement for complying with the Accounting Standards for Business Enterprises

The Company's Financial Statements are prepared in accordance with Accounting Standards for Business Enterprises, and indicate the relevant information such as Company's financial status, business results and cash flow truly and completely.

(II) Accounting period

The fiscal year ranges from January 1 to December 31 under the Gregorian calendar.

(III) Operating cycle

The business cycle refers to the period from purchase of assets used for processing to realization of cash or cash equivalents. The Company takes 12 months as an operating cycle and

uses it as a standard for classifying the liquidity of assets and liabilities.

(IV) Recording currency

RMB is adopted as the recording currency.

(V) The accounting process for the enterprise combination under the same control or different control.

1. When the disposal of the clause, condition and the economic impact of each transaction for achievement of the business merger step by step is subject to one or more of the following conditions, conduct accounting treatment by taking the multiple transactions as a package deal

(1) These transactions are considered to be concluded at the same time or made in the case of considering mutual influence;

(2) These transactions as a whole can reach a complete business result;

(3) The occurrence of a transaction depends on the occurrence of at least one other transaction;

(4) One transaction alone is not economical, but when being considered together with other transactions, it is economical.

2. Business merger under the same control

The assets and liabilities of the Company acquired in the business merger are measured by the book value of the merged party's assets and liabilities (including goodwill arising out of the ultimate controlling party's acquisition of the merged party) reflected in ultimate controlling party's consolidated financial statements on the merger date. The difference between the book value of the net assets obtained in the merger and the book value of the consideration paid for the merger (or the total face value of the shares issued) shall be adjusted for the share premium in the capital reserve. If the share premium in the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

If there are contingent consideration and the estimated liabilities or asset needs to be recognized, the difference between the estimated liability or asset amount and the subsequent contingent consideration settlement amount, adjust the capital reserve (capital premium or share premium), if the capital reserve is insufficient, adjust the retained earnings.

For the business merger that is finally realized through multiple transactions, which belongs to a package transaction, the transactions shall be treated as a transaction to acquire control; If it is not a package deal, the capital reserve shall be adjusted by the difference between the initial investment cost of the long-term equity investment and the sum of the book value of the long-term equity investment before the merger plus the book value of the new consideration of the further acquired shares on the merger date and the book value of the long-term equity investment before the merger on the day of the acquisition of the control right and the sum of the initial investment

cost of the long-term equity investment. The retained revenues shall be adjusted if the capital reserve is insufficient for write-off. Equity investment held before the merger date and other comprehensive incomes which are checked by using equity method or which are checked and confirmed through recognition and measurement standard of financial instruments shall not conduct accounting treatment until adopting the same basis with the invested unit who directly disposes relevant assets or liabilities for accounting treatment when disposing the investment; Other changes of owners' equities except net profits and losses, other comprehensive incomes and profit distribution in net assets of the invested entity which is checked and confirmed by using the equity method shall not conduct accounting treatment temporarily until transferring into the current profits and losses when disposing the investment.

3. Business merger under the different control

The date of purchase refers to the date on which the company actually acquires control over the purchased party, that is, the date on which the net assets of the purchased party or the control over the production and operation decisions of the purchased party is transferred to the company. When the following conditions are met, the company generally considers that the transfer of control is realized:

- ① The business merger contract or agreement has been approved by the internal authority of the company.
- ② Where the business merger requires the examination and approval of the relevant competent authorities of the state, the approval has been obtained.
- ③ The necessary formalities for the transfer of property rights have been completed.
- ④ The company has paid the majority of the combined price and has the ability and plans to pay the remainder.
- ⑤ The company has effectively controlled the financial and operating policies of the purchased party and enjoys the corresponding benefits and risks.

On the date of purchase, the company shall measure the assets and liabilities incurred or assumed as the consideration for the business merger according to the fair value, and the difference between the fair value and the book value shall be recorded into the current profits and losses.

The company recognizes as goodwill the difference between the combined cost and the fair value share of the identifiable net assets acquired by the purchased party in the merger. The combined cost is less than the difference of the fair value share of the identifiable net assets acquired by the purchased party in the merger, which is recorded into the current profits and losses after review.

For the business merger under different control that is realized through multiple exchanges and transactions, which belongs to a package transaction, the transactions shall be treated as a

transaction to acquire control; In case of not belonging to package deal, if the equity investment held before the merger date is accounted with equity method, the sum of book value of equity investment for the purchased party before acquisition date and the newly-added investment cost on acquisition date is deemed as the initial investment cost for the investment. Other comprehensive incomes of equity investment held before the date of purchase recognized by the equity method shall be treated on the same basis as the direct disposal of related assets or liabilities by the invested entity. If the equity investment held before the merger date is checked and confirmed through recognition and measurement standard of financial instruments, the sum of fair value on the merger date and the newly-added investment cost is deemed as the initial investment cost on the merger date. The difference between the fair value and book value of the original holding equity and the accumulated fair value change originally included in other comprehensive incomes shall be transferred to the investment income of the current period on the merger date.

4. Relevant expenses incurred from merger

Intermediary fees such as auditing, legal services, evaluation and consultation and other directly related fees incurred in the business merger shall be recorded into the current profits and losses when incurred; The transaction costs of issuing equity securities for the purpose of a merger may be directly attributable to the business merger and deducted from the equity.

(VI) Preparation method of consolidated financial statements

1. Scope of merger

The scope of consolidation of the company's consolidated financial statements is determined on a control basis and all subsidiaries (including the separate entities controlled by the company) are included in the consolidated financial statements.

2. Merger procedures

The company prepares consolidated financial statements based on the financial statements of the company and its subsidiaries and other relevant information. The Company prepares the consolidated financial statements by treating the whole conglomerate as the accounting subject and reflecting overall financial conditions, operating results and cash flows of the conglomerate in accordance with the relevant requirements for confirmation, measurement and reporting in the Accounting Standards for Business Enterprises and its centralized accounting policy.

The accounting policies and accounting periods adopted by all the subsidiaries included in the consolidated financial statements are consistent with those of the company. If the accounting policies and accounting periods adopted by the subsidiaries are inconsistent with those of the company, necessary adjustments shall be made in accordance with the company's accounting policies and accounting periods when preparing the consolidated financial statements.

The consolidated financial statements shall offset the effect of internal transactions between the company and each subsidiary and each subsidiary on the consolidated balance sheet,

consolidated profit statement, consolidated Cash Flow Statement and statement of changes in shareholders' equity. If the consolidated financial statement of the enterprise group is different from the recognition of the same transaction with the company or its subsidiaries as the accounting body, the transaction shall be adjusted from the perspective of the enterprise group.

The owners' equities of the subsidiary, the current net profits and losses and the shares belonging to minority shareholders in the current comprehensive income are separately listed under the owners' equities item in the consolidated balance sheet, the net profit item in the consolidated income statement and the total comprehensive income item. The current loss shared by minority shareholders of the subsidiary exceeds the balance of minority shareholders' share in the beginning of the owners' equities of the subsidiary, which offsets minority shareholders' equities.

For the subsidiaries acquired through the business merger under the same control, the financial statements shall be adjusted on the basis of the book value of the assets and liabilities (including the goodwill formed by the acquisition of the subsidiary by the ultimate controlling party) in the financial statements of the ultimate controlling party.

As for the subsidiaries which are obtained by the business merger not under the same control, the financial statements will be adjusted on the basis of the fair values of the identifiable net assets on the acquisition date.

(1) Increase the subsidiaries or business

During the reporting period, if the subsidiary or business is increased due to the business merger under the same control, the opening balance of the consolidated balance sheet shall be adjusted and merged; The incomes, expenses and profits of the subsidiary or business combination from the beginning of the current period to the end of the reporting period shall be included in the consolidated profit statement; The cash flows of the subsidiary or business from the beginning of the current consolidation period to the end of the reporting period shall be included in the consolidated Cash Flow Statement, and relevant items in the comparative statement shall be adjusted. The consolidated report subject shall be deemed as existing from the time when the final controlling party starts its control.

When the company can control the invested party under the same control due to additional investment and other reasons, the participating parties will be considered to make an adjustment under the current state when the final controlling party starts its control. The equity investment which is held before obtaining the control right of the merged party, the related profits or losses, other comprehensive incomes and other changes in net assets which have been confirmed since the original equity acquiring date or the same control date (depending on the later date) when the combining party and the merged party are all in the same merger date will be used for offsetting the retained earnings or the current profits and losses during the comparative statement period.

During the reporting period, if the subsidiary or business is increased due to the business merger under the different control, the opening balance of the consolidated balance sheet shall not be adjusted and merged; The incomes, expenses and profits of the subsidiary or business combination from the purchase date to the end of the reporting period shall be included in the consolidated profit statement; The cash flows of the subsidiary or business from the acquisition date to the end of the reporting period will be included in the consolidated Cash Flow Statement.

In case the control can be applied to the invested party under different control due to additional investment and other reasons, the held equities of the purchased party before acquisition date will be remeasured as per its fair values on the acquisition date by the company, then, the difference between the fair values and book values will be included in the current investment incomes. Other comprehensive incomes of the purchased party which are held and related to the accounting under equity method before acquisition date, the changes in other owner's equities except for net profits and losses, other comprehensive incomes and profit distribution, as well as the related other comprehensive incomes and other owner's equities shall be transferred into the investment incomes in this term on the acquisition date, except for other comprehensive profits which are generated by the changes in the liabilities or net assets due to the invested party's re-measurement and resetting of defined benefit plan.

(2) Dispose subsidiaries or business

1) Common method

If the company disposes its subsidiaries or businesses in the reporting period, the incomes, expenses, and profits of the subsidiaries from the beginning of the business period to the date of disposal shall be included into the consolidated profit statements; The cash flows of the subsidiary or business from the beginning of the period to the disposal date shall be included in the consolidated Cash Flow Statement.

In case of losing control on the invested party due to disposal of partial equity investment or other reasons, the disposed residual equity investment shall be remeasured by the company as per the fair values on the day losing the controlling right. The balance of the sum of the acquired consideration from the equity disposal and fair values of residual equities, deducting the sum of shares of net assets that shall be entitled through calculating with the original shareholding ratio, and continuously calculated from the acquisition date or merger date of original subsidiaries and the goodwill, shall be included in the investment incomes of the period losing control right. Other comprehensive incomes related to the equity investment in the original subsidiaries or other changes in owner's equities except for net profits and losses, other comprehensive incomes and profit distribution shall be transferred to current investment incomes when the control right is lost, except for other comprehensive incomes resulting from changes in net liabilities or net assets for the invested party's remeasurement and resetting of the defined benefit plan.

2) Disposal of the subsidiary step by step

It generally indicates that multiple transaction matters as the package deal shall be conducted the accounting treatment when the company disposes the equity investment of the subsidiary step by step until losing the control right, and the articles, conditions and economic effects related to the equity investment transaction of subsidiaries comply with one or multiple following conditions:

A. These transactions are considered to be concluded at the same time or made in the case of considering mutual influence;

B. These transactions as a whole can reach a complete business result;

C. The occurrence of a transaction depends on the occurrence of at least one other transaction;

D. One transaction alone is not economical, but when being considered together with other transactions, it is economical.

In case the transaction for disposing the equity investment of the subsidiaries until losing control right is considered to be the package deal, the company will make the accounting treatment by considering various transactions as one transaction related to subsidiaries disposal and losing control; However, the balance between the disposal price and the subsidiaries' net asset shares enjoyed corresponding to disposing investment before losing of control right shall be recognized as other comprehensive incomes in the consolidated financial statement, which will be transferred into the current profits and losses of the period losing the control right when the control right is lost.

When the transactions for the equity investment of the subsidiaries until loss of control is deprived are not considered to be the package deal, before the control right is deprived, the accounting disposal shall be applied according to the related policies to the part of the disposal of the equity investment of the subsidiaries when the Company has not lost the control right; When loss of control is deprived, the accounting disposal shall be applied according to the common disposal method of the subsidiaries.

(3) Purchase of the minority equity of the subsidiaries

The Company calculates the net asset share difference which shall be enjoyed by the subsidiaries since the acquisition date (or merger date) according to the long-term equity investment and newly-increased shareholding proportion due to minority stock purchasing, then, adjust the share premium about the capital reserve in the consolidated balance sheet. If the share premium in the capital reserve is insufficient to offset, please adjust the retained earnings.

(4) Part of disposal of the equity investment in the subsidiaries when loss of control has not been deprived

Given no deprivation of loss of control, concerning the balance between disposal cost

acquired for partial disposal of long-term equity investment of the subsidiaries and share of net assets of the subsidiaries corresponding to disposal of long-term equity investment calculated in the sustainable way from the acquisition date or merger date, share premium in capital reserves shall be adjusted and combined to the consolidated balance sheet. In case the share premium in capital reserves is insufficient in offset, the retained earnings shall be adjusted.

(VII) Accounting treatment method of joint-operation arrangement classification and joint operation

1. Classification of joint-operation arrangement

The Company divides the joint venture arrangements into joint operations and cooperative enterprise according to the structure and legal form of joint venture arrangements, the articles specified in joint venture arrangements and other relevant facts and conditions.

Joint venture arrangements not concluded by the individual entity shall be classified as joint operations; In general, the joint venture arrangement which is reached via individual entity will be divided into the cooperative enterprise; however, the joint-operation arrangement which is proved to satisfy any of the following conditions and comply with the related laws and regulations by the unambiguous evidence shall be divided into joint operation:

(1) The legal form of joint venture arrangement proves that the parties involved shall have rights and obligations on the relevant assets and liabilities involved in the arrangement respectively.

(2) The contract terms of joint venture arrangement agree that the parties involved shall have rights and obligations on the relevant assets and liabilities involved in the arrangement respectively.

(3) Other facts and conditions provide that either party has rights and obligations on the assets and liabilities involved in the arrangement. For example, the joint venturer involved is entitled to enjoy all outputs related to joint venture arrangement and the liabilities liquidation in such arrangement continuously depends on the support of the joint operation.

2. Accountant arrangement method of joint-operation

The Company confirms the following items involved in profit share upon joint operations and conducts the accounting treatment in accordance with Accounting Standards for Business Enterprises:

- (1) Recognize the assets held independently and jointly in proportion to the share;
- (2) Recognize the liabilities held independently and liabilities in proportion to the share;
- (3) Recognize the income generated from selling the output shares involved in joint-operation;
- (4) Recognize the income generated from joint-operation due to sales as per the share;
- (5) Recognize the expenses incurred independently and expenses incurred from

joint-operation as per the share.

The Company puts or sells assets and others into joint-operation (excluding the asset composition business). Before joint-operation sells the assets to a third party, only confirm the profits and losses belonging to other participators in joint-operation. In case of asset impairment loss in put or sold assets in accordance with *Accounting Standards for Business Enterprises No. 8 - Asset Impairment*, the Company will confirm the loss in full.

The Company purchases assets and others into joint-operation (excluding the asset composition business). Before selling the assets to a third party, only confirm the profits and losses belonging to other participators in joint-operation. In case of asset impairment loss in purchase assets in accordance with *Accounting Standards for Business Enterprises No. 8 - Asset Impairment*, the Company will confirm the partial loss as per borne shares.

The Company is not entitled to joint control of joint operations. If the Company has the assets related to the joint operation and bears the liabilities related to the joint operation, the accounting treatment shall still be carried out in accordance with the above principles; otherwise, the accounting treatment shall be carried out in accordance with corresponding Accounting Standards for Business Enterprises.

(VIII) Determining standard of cash and cash equivalents

Identify the Company's cash on hand and deposits readily available for payment as cash when preparing the Cash Flow Statement. Investments with short maturities (generally maturing within three months from the purchase date), strong liquidity, easy cash conversion into a known amount, and little risk of value change are identified as cash equivalents.

(IX) Foreign currency transaction and the conversion of foreign currency statement

1. Foreign currency transaction

In the initial confirmation of foreign currency transactions, the spot exchange rate on the transaction date shall be used as the converted exchange rate to convert the transaction into RMB while accounting.

On the balance sheet date, foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date, and the resulting exchange difference shall be accounted into the current profits and losses, except for the foreign exchange differences generated by special foreign currency loans related to the acquisition and construction of assets eligible for capitalization, and they shall be accounted in accordance with the capitalization principle of borrowing costs. Non-monetary items of foreign currency measured by historical cost were still measured by the spot rate on the transaction date and the amount of recording currency was not changed.

For foreign currency non-monetary items measured at fair value, spot exchange rate on the

fair value determination day will be used for conversion. The difference between the converted recording currency amount and the original recording currency amount shall be taken as the fair value fluctuation (including exchange rate fluctuation) and included into current profits and losses or other comprehensive incomes.

2. Conversion of the foreign currency financial statement

The assets and liabilities items in the balance sheet shall be converted at the spot exchange rate on the balance sheet date; Except for the "undistributed profit" item, other items of owner's equity shall be converted at the spot exchange rate at the time of occurrence. Income and expense items in the Profit Statement shall be converted at the spot exchange rate on the date of transaction. The converted difference of foreign currency financial statements arising from the above conversion shall be included in other comprehensive incomes.

When disposing of overseas operations, the converted difference in foreign currency financial statements related to the overseas operations listed in other comprehensive incomes items in the balance sheet shall be transferred from other comprehensive income items to current profits and losses; If the proportion of overseas business interests held is reduced due to the disposal of part of the equity investment or other reasons, but the right to control overseas business remains, the converted difference of foreign currency statement related to the disposal part of the overseas business will be attributed to minority shareholders' equities and will not be transferred to the current profits and losses. When disposing part of the equity of an overseas operation as joint ventures or cooperative enterprises, the converted difference of foreign currency statements related to the overseas operation shall be transferred to the current profits and losses in line with the proportion of disposing the overseas operation.

(X) Financial instruments

When becoming one party of financial instrument contract, the Company shall recognize one item of the financial assets or financial liabilities.

The effective interest rate method refers to the method of calculating the amortized cost of financial assets or financial liabilities and apportioning interest income or interest expenses into each accounting period.

The effective interest rate refers to the interest rate used to discount the estimated future cash flow of the financial assets or the financial liabilities in the estimated duration into the book balance of the financial assets or amortized cost of the financial liabilities. When determining the effective interest rate, the expected cash flow is estimated on the basis of considering all the contractual terms of the financial assets or financial liabilities (such as prepayment, extension, call option and other similar options), but the expected credit loss is not considered.

The amortized cost of financial assets or financial liabilities is the accumulated amortization amount formed by the initial recognition amount of the financial assets or financial liabilities

deducting the paid principal, plus or minus the accumulated amortization amount formed by the amortization of the difference between the initially recognized amount and the amount on the maturity date by using the effective interest rate method, and then deducting the accumulated accrued loss provisions (only applicable to financial assets).

1. Classification, confirmation and calculation of financial assets

In accordance with the business mode of financial asset management and contract cash flow characteristics of financial assets, the Company divides financial assets into:

- (1) Financial assets measured at amortized cost.
- (2) Financial assets measured at fair value with their changes reckoned in other comprehensive incomes.
- (3) Financial asset measured by the fair value with its changes included into the current profits and losses

Financial assets shall be measured at the fair value at the time of initial recognition, but initial measurement shall be conducted at the trading price, if the receivables or notes receivables arising from sales of commodities or provision of services do not include significant financing composition or do not consider the financing composition no more than one year.

For financial assets measured at the fair value with its changes included into the current profits and losses, relevant transaction expenses shall be included into the current profits and losses directly; for other categories of financial assets, relevant transaction expenses thereof shall be included into the initially recognized amount.

Follow-up measurement of financial assets shall be subject to their category. If an only if the Company changes the business mode of financial asset management, all the relevant affected financial assets shall be re-categorized.

(1) Financial assets measured at amortized cost.

The contract terms of financial assets stipulate that the cash flow generated on a specific date is only the payment of the principal and interest based on the amount of the outstanding principal, and the business model of the Company to manage the financial assets is to collect contractual cash flow as the goal, then the Company classifies the financial assets as financial assets measured at amortized costs. The Company's financial assets measured at the amortized cost include monetary funds, notes receivable, accounts receivable, other receivables, creditors' right investment, long-term receivables, etc.

The Company confirms the interest income of such financial assets with the effective interest rate method. Subsequent measurement shall be conducted at the amortized cost. Profits or losses incurred at the time of impairment, derecognition or modification shall be included into the current profits and losses. The Company determines interest income by multiplying the book balance of financial assets by the effective interest rate except for the following circumstances:

1) For purchased or sourced financial assets with credit impairment, the Company determines its interest income based on the amortized costs of the financial assets and the effective interest rate adjusted for credit from the initial recognition.

2) For purchased or sourced financial assets whose credit has not been impaired but has credit impairment in the subsequent period, the Company will determine its interest income according to the amortized costs and effective interest rate of the financial assets in the subsequent period. If the financial instrument no longer has credit impairment due to the improvement of its credit risk in the subsequent period, the Company will calculate and determine the interest revenue by multiplying the effective interest rate by the book balance of the financial asset.

(2) Classified as financial assets measured at fair value with their changes reckoned in other comprehensive incomes.

According to the contract terms of financial assets, the cash flow generated on a specific date is only the payment of principal and interest based on the amount of outstanding principal, and the business model of managing the financial assets aims at both receiving the contract cash flow and selling the financial assets, the company classifies the financial assets as financial assets measured at fair value and the changes of which are included in other comprehensive incomes.

For such financial assets, the Company confirms the interest income according to the effective interest rate method. The interest income, impairment loss and exchange balance are confirmed as current profits and losses, and changes in other fair values shall be included into other comprehensive incomes. Upon derecognition of the financial assets, the accumulated gains or losses previously included into other comprehensive incomes are transferred from other comprehensive incomes and included into current profits and losses.

Notes receivable and accounts receivable that are measured at the fair value and whose changes are included into the other comprehensive incomes shall be included into receivable financing, and other such financial assets shall be included into other creditors' right investments. Wherein, the other creditors' right investments that are due within one year as of the balance sheet date shall be included into non-current assets due within one year, and other creditors' right investments with the original maturity date less than one year shall be included into other current assets.

(3) Specified as financial assets measured at fair value with their changes reckoned in other comprehensive incomes.

Upon initial recognition, the Company can irrevocably designate non-trading equity instruments as financial assets measured at fair value and whose changes are included in other comprehensive incomes based on individual financial assets.

Changes in the fair value of such financial assets shall be included into other comprehensive incomes, without calculation and withdrawal of the impairment reserve. Upon derecognition of the

financial assets, the accumulated gains or losses previously included into other comprehensive incomes are transferred from other comprehensive incomes and included into retained earnings. The right to receive dividends in the Company has been established during the period when the Company holds the equity instrument investment, and the economic benefits related to the dividends are likely to flow into the Company, and the dividend income is recognized and included in the current profits and losses when the amount of the dividends can be reliably measured. The Company reports such financial assets under the other equity instrument investments.

Where equity instrument investments meet one of the following conditions, the financial assets are measured at the fair value and their changes shall be included into the current profits and losses. The purpose of obtaining such financial assets is mainly to sell them out in the recent period; Upon initial recognition, the financial assets form a part of an identifiable financial instrument portfolio under centralized management, and objective evidences show that there is a short-term profit model in relation thereto. and they belong to derivatives (except derivatives that conform to the definition as stated in the financial guarantee contract and are designated as effective hedging instruments).

(4) Financial asset measured by the fair value with its changes included into the current profits and losses

Financial assets that do not meet the criteria for classification as a financial asset measured at amortized cost or at fair value and whose changes are included in other comprehensive incomes, and are not designated as financial assets measured at fair value and whose changes are included in other comprehensive incomes are all classified as financial assets that are measured at fair value and whose changes are included in the current profits and losses.

For such financial assets, the Company adopts fair value to have subsequent measurement, and the profits or losses formed by change of fair value and the dividends and interest revenue related to the financial assets are included into the current profits and losses.

The Company reports such financial assets under the trading financial assets and other non-current financial assets according to their liquidity.

(5) Financial asset measured by the fair value with its changes included into the current profits and losses

At the time of initial recognition, to eliminate or significantly reduce accounting mismatches, the Company can irrevocably designate financial assets as financial assets that are measured at the fair value and whose changes are included into the current profits and losses based on individual financial assets.

Mixed contracts include one or several embedded derivatives. Where the master contract does not belong to the above-mentioned financial asset, the Company may wholly designate them

as financial instruments that are measured at the fair value and whose changes are included into the current profits and losses. But except the following situations:

- 1) Embedded derivatives will not significantly change the cash flow of the mixed contract.
- 2) When confirming for the first time whether similar mixed contracts need to be separated, it can be confirmed almost with no analysis that the embedded derivative included shall not be separated. If the right of prepayment of loans is embedded, it is allowed that the holder repay the loans in advance in the amount close to the amortized cost, and this right of prepayment does not need to be separated.

For such financial assets, the Company adopts fair value to have subsequent measurement, and the profits or losses formed by change of fair value and the dividends and interest revenue related to the financial assets are included into the current profits and losses.

The Company reports such financial assets under the trading financial assets and other non-current financial assets according to their liquidity.

2. Classification, confirmation and calculation of financial liabilities

The Company shall classify financial instruments or its components into financial liabilities or equity instruments during the initial recognition in accordance with contract terms of the issued financial instruments and reflected economic essence in legal forms and others, in combination with definitions of financial liabilities and equity instruments. At initial confirmation, the financial liabilities are classified as: Financial liabilities that are measured by fair value and whose variations are included into the current profits and losses, other financial liabilities, and derivative instruments that are designated as effective hedging instruments.

In initial recognition, financial liabilities shall be measured at fair value. For financial liabilities which are measured on the basis of the fair value and of which the changes are included into current profits and losses, the related transaction expenses shall be directly included into the current profits and losses; for other financial liabilities, the related transaction expenses thereof were recorded in the initial recognition amount.

Subsequent measurement of financial liabilities depends on their classification.

- (1) Financial liabilities measured by the fair value with its changes included into the current profits and losses

The financial liabilities include trading financial liabilities (including the derivative instrument attributable to financial liabilities) and financial liabilities while initial recognition measured at the fair value with the changes included into the current profits and losses.

If one of the following conditions is met, they belong to trading financial liabilities: The purpose of obtaining the financial liabilities is to sell or purchase them in the recent period; Belong to part of the identifiable portfolio of financial instruments under centralized management, and there is objective evidence that the company recently adopted a short-term profit model;

Belong to derivative instruments, except for derivatives that are designated as effective hedging instruments and derivatives that comply with financial guarantee contracts. Trading financial liabilities (including derivatives falling into financial liability) is subject to subsequent measurement as per fair value. Except for being related to hedge accounting, the change in fair value is included into current profits and losses.

At the time of initial recognition, to provide more related accounting information, the Company irrevocably designates financial liabilities that meet one of the following conditions as financial liabilities that are measured at the fair value and whose changes are included into the current profits and losses:

- 1) Be able to eliminate or significantly reduce accounting mismatches.
- 2) According to the enterprise risk management or investment strategy stated in the formal written documents, the fair value-based financial liability portfolio or financial assets and financial liability portfolio shall be used for management and performance evaluation, and the report shall be made to key management personnel within the enterprise on this basis.

The Company carries out subsequent measurement of such financial liabilities at the fair value. The changes in the fair value arising from the credit risk of the Company are included into other comprehensive incomes, and other changes in the fair value shall be included into the current profits and losses. If changes in fair value caused by changes in the Company's own credit risk are included in other comprehensive incomes, which will cause or expand the accounting mismatch in profits and losses, the Company will account for all changes in fair value (including the impact amount of its own credit risk changes) into the current profits and losses.

(2) Other financial liabilities

Except the following items, the Company classifies financial liabilities into financial liabilities measured at the amortized cost. Such financial liabilities are measured with the effective interest rate method. Subsequent measurement is conducted at the amortized cost. Profits or losses arising from derecognition or amortization shall be included into the current profits and losses:

- 1) Financial liabilities measured by the fair value with its changes included into the current profits and losses
- 2) The transfer of financial assets does not meet the conditions of derecognition or continues to involve in the financial liabilities formed by the transferred financial assets;
- 3) Financial guarantee contracts that do not belong to the first two situations, and loan commitments that do not belong into the first situation and borrowed at a rate lower than market interest rate;

Financial guarantee contract refers to a contract that requires the issuer to pay a specific amount to the contract holder who has suffered a loss when the specific debtor fails to pay the debt in accordance with the original or modified debt instruments terms. Financial guarantee contracts

that are not designated as financial liabilities that are measured at fair value and whose changes are included in the current profits and losses, after initial recognition, are measured according to the higher of the loss reserve amount and the initial recognition amount after deducting the accumulated amortization amount during the guarantee period.

3. Derecognition of financial assets and financial liabilities

(1) Where financial assets meet one of the following conditions, financial assets shall be derecognized, that is, they are transferred or written off from their account and balance sheet:

- 1) The contractual rights of collecting cash flow of the financial assets are terminated.
- 2) Such a financial asset has been transferred, and such transfer meets the provision on derecognition of financial assets.

(2) Derecognition conditions of financial liabilities

In case of current obligation of financial liabilities (or partial financial liabilities) being terminated, such financial liabilities (or partial financial liabilities) will be derecognized.

The Company signs an agreement with the lender to bear the original financial liabilities in the new financial liability mode, and where the contract terms concerning the new financial liabilities are different from those of the original financial liabilities substantially, or the contract terms of the original financial liabilities (or part of them) are modified substantially, the original financial liabilities are derecognized, one new financial liability is recongnized, and the balance between the book value and the consideration paid (including non-cash assets transferred out or borne liabilities) shall be included into the current profits and losses.

Where the Company buybacks one part of the financial liabilities, the overall book value of the financial liabilities shall be allocated according the proportion of the fair value of the continuous recognition part and the derecognition part in the overall fair value on the buyback date. The balance between the de-recognized book value and the considerations paid (including the non-cash assets transferred out and the new financial liabilities) would be included in current profits and losses.

4. Reorganization and measurement of financial asset transfer

When the Company transfers the financial assets, the Company evaluates the degree of the risk and remuneration arising from the reserve of the ownership of financial assets and handles the following cases respectively:

- (1) Where almost all the risks and remuneration concerning the ownership of financial assets are transferred, the financial asset shall be derecognized, and the reserve and obligation incurred or reserved during derecognition shall be individually recognized as assets or liabilities.
- (2) Where almost all risks and rewards about the financial asset ownership are reserved, the derecognition will not be conducted for such financial assets.
- (3) Where all the risks and remuneration concerning the ownership of financial assets are not

transferred or reserved (i.e. in the cases except (1) and (2)), the following cases shall be handled respectively according to the fact whether the control over financial assets is reserved:

1) Where the control over the financial asset is not reserved, the financial asset shall be derecognized, and the reserve and obligation incurred or reserved during derecognition shall be individually recognized as assets or liabilities.

2) For retaining the control of the financial assets, the relevant financial assets and liabilities shall be recognized as per the degree of continued involvement of transferred financial assets. The degree to which the transferred financial assets continue to be involved refers to the degree of the change risks or remuneration of transferred financial assets borne by the Company.

The Company followed the principle of substance over form when judging whether the transfer of financial assets meets the above derecognition conditions of financial assets. The Company differentiated the transfer of financial assets into overall transfer and partial transfer.

(1) Where the overall transfer of a financial asset satisfies the conditions for derecognition, the difference between the following two amounts shall be recorded into the current profits and losses:

1) Book value of transferred financial assets on derecognition date;

2) Sum of consideration received for transferring financial assets and the amount of the corresponding derecognition part in the accumulated amount of changes in fair value originally and directly included in other comprehensive incomes (the financial assets involved in transfer refer to financial assets which are classified as measured at fair value and whose changes are included in other comprehensive incomes).

(2) In case partial transfer of financial assets meets the conditions for derecognition, the overall book value of the transferred financial assets shall be amortized as per their own relative fair value between the de-recognized part and the recognized part (in such a condition, the service assets reserved shall be deemed as one part of the recognized part) on the transferring date, and the balance between the following two amounts shall be included in current profits and losses:

1) Book value of the derecognized part on derecognition date.

2) Sum of consideration received for derecognition and the amount of the corresponding derecognition part in the accumulated amount of changes in fair value originally included in other comprehensive incomes (the financial assets involved in transfer refer to financial assets which are classified as measured at fair value and whose changes are included in other comprehensive incomes).

If any transfer of financial assets doesn't meet the derecognition conditions, they continued to be recognized. The received consideration was recognized as one financial liability.

5. Determination methods of the fair values of financial assets and financial liabilities

The fair value of financial assets or financial liabilities with an active market was determined by the quotation of the active market, unless the financial assets had a sales restriction period for themselves. The fair value of financial assets that are restricted for sales was recognized based on the quoted price in the active market after deducting the amount of compensation required by market participants for the risk that the financial assets cannot be sold on the open market within a specified period. The quotation of active market includes the quotations of assets or liabilities that are readily and regularly accessible from exchanges, traders, brokers, industry groups, pricing agencies or regulatory agencies, and fairly represent the market transactions actually and frequently carried out on the basis of fair trade.

The fair value of initially acquired or derived financial assets or financial liabilities were calculated according to the market trading price.

The fair value of financial assets and financial liabilities without active market is determined through valuation techniques. In valuation, applicable valuation techniques supported by sufficient utilizable data and other information are adopted by the Company in current circumstances, and the input values consistent with assets or liabilities characteristics considered in relevant assets or liabilities transactions of market participators are selected, relevant observable input values prioritized. Unobservable input values shall not be applied unless relevant observable input values are not accessible or feasible.

6. Financial instrument impairment

The Company handles financial assets measured at the amortized cost in the form of impairment accounting and recognizes the loss provision based on the expected credit loss.

Expected credit losses refer to the weighted average of the financial instrument credit losses weighed by the risk of default. Credit loss refers to the difference between all contractual cash flows discounted as per the original actual interest rate and receivable from the contract and all cash flows expected to be received by the Company, namely, the present value of a shortage of cash. Wherein, the purchased or sourced financial assets with credit impairment of the Company were discounted as per actual interest rate based on credit adjustment.

For accounts receivables, contract asset and lease receivables formed by transactions regulated by the income standards, their loss provision was measured by the Company with the simplified measurement method based on the amount of expected credit losses during the entire period.

For the purchased or sourced financial assets with credit impairment, on the balance sheet date, only the cumulative changes in expected credit losses were recognized as loss provision during the entire period after the initial recognition on the balance sheet date. On each balance sheet date, the amount of changes in expected credit losses during the entire period was included in current profits and losses as impairment losses or gains. Even if the expected credit losses for

the entire period recognized on the balance sheet date are less than the amount of those reflected in the estimated cash flows during initial recognition, any favorable changes in expected credit losses were also recognized as impairment profits.

For financial assets other than those measured by the simplified measurement method and purchased or sourced financial assets with credit impairment, on each balance sheet date, whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition was assessed, and the corresponding loss provision and the expected credit losses and their changes were recognized in accordance with the following circumstances:

(1) If the credit risk of the financial instruments has not increased significantly since their initial recognition and the financial instruments are in Phase I, their loss provision was measured according to the amount equivalent to the expected credit losses of the financial instruments in the next 12 months, and the interest calculated on the basis of book balance and effective interest rate.

(2) If the credit risk of the financial instruments has increased significantly but no credit impairment since their initial recognition and the financial instruments are in Phase II, their loss provision was measured according to the amount equivalent to the expected credit losses of the financial instruments in the entire duration, and the interest calculated on the basis of book balance and effective interest rate.

(3) If credit impairment of the financial instruments occurs after the initial recognition and the financial instruments are in Phase III, their loss provision was measured according to the amount of expected credit losses of the financial instruments in the whole period, and the interest calculated on the basis of amortized cost and effective interest rate.

The increased or reserved amount therefrom of financial instrument credit loss reserves will be included into the current profits and losses as impairment losses or profits. Except for financial assets measured at fair value with their changes reckoned in other comprehensive incomes, credit loss provision was used to offset against the book balance of financial assets. The credit loss provision of financial assets measured at fair value with their changes reckoned in other comprehensive incomes was recognized in other comprehensive incomes, and the book value of them in the balance sheet was not decreased.

The company has measured the loss provisions in the previous accounting period according to the amount equivalent to the expected credit loss of the financial instrument in the whole duration. However, on the current balance sheet date, if the financial instrument no longer belongs to the situation of significant increase in credit risk after initial recognition, the company shall, on the balance sheet date of the current period, measure the loss provisions according to the amount equivalent to the expected credit loss of the financial instrument in the next 12 months, the reversed amount of the loss provisions thus formed is included in the current profits and losses as the impairment gains.

(1) Significant increase of credit risks

The Company determined whether the credit risks of financial instruments increased significantly since initial recognition by using available reasonable and well-founded prospective information, and by comparing the risk of default on the balance sheet date of financial instruments with the risk of default on the date of initial recognition. For financial guarantee contracts, when the Company applied the provisions on impairment of financial instruments, the date on which the Company became the party making the irrevocable undertaking was as the initial recognition date.

The Company considered the following factors when assessing whether the credit risks increased significantly:

- 1) whether the debtor's operating results actually or are expected to change significantly;
- 2) whether any significant adverse change happens to the regulatory, economic, or technological environment where the debtor locates;
- 3) whether the value of the collateral used as debt collateral or the guarantee provided by a third party or the quality of credit enhancement has changed significantly, which are expected to reduce the debtor's economic motivation to repay the loan within the contract period or affect the probability of default;
- 4) whether the debtor's expected performance and repayment behavior obviously change;
- and 5) whether the Company's credit management methods for financial instruments change, etc.

If the Company determined that the financial instruments have only a relatively low credit risk on the balance sheet date, the Company assumed that the credit risk of the financial instruments did not increase significantly since the initial recognition. If the default risk of financial instruments is low and the borrower's ability of performing its contractual cash flow obligations within a short time is very strong which is necessarily reduced even though the adverse change of economic situation and business environment exists over a long period of time, this financial instrument will be deemed as with low credit risk.

(2) Financial assets with credit impairment having occurred

When one or several events with adverse effect on the expected future cash flow of the financial assets happened, such financial assets became those with credit impairment. The evidences showing that the credit impairment of financial assets has occurred include the following observable circumstances:

- 1) where the issuer or the debtor has major financial difficulties;
- 2) where the debtor breaches any contract, such as failure or delay to pay interest and principal;
- 3) where the creditor gives concession which will not be given in any other case to the debtor

in consideration of economy or contract relating to the debtor's financial difficulty;

4) where the debtor is likely to go bankrupt or carries out other financial restructuring;

5) where the financial difficulty of the issuer or the debtor makes the active market of such financial assets disappear;

6) where such discount reflects the fact that the credit loss has happened when a financial asset is purchased based on a big discount or originated.

The credit impairment of financial assets may be caused by the joint action of multiple events, not necessarily by a separately identifiable event.

(3) Determination of the expected credit losses

Based on the predicted credit loss of single and portfolio evaluation financial instrument, the Company takes into consideration reasonable and well-founded information on past events, current conditions and forecasts of future economic conditions when evaluating expected credit losses.

Financial instruments of the Company were divided into different categories based on common credit risk characteristics. The common credit risk characteristics adopted by the Company include types of financial instruments, credit risk ratings, portfolio of account aging, overdue receivables portfolio, contract settlement cycle, debtor's industry, etc. The individual evaluation criteria and portfolio credit risk characteristics of relevant financial instruments are detailed in the accounting policies of relevant financial instruments.

The expected credit losses of relevant financial instruments were recognized by the Company with the following methods:

1) The credit loss of financial assets was the present value of the difference between the contractual cash flow receivable by the Company and the cash flow expected to be received.

2) The credit loss of lease receivables was the present value of the difference between the contractual cash flow receivable by the Company and the cash flow expected to be received.

3) The credit loss of financial guarantee contracts is the present value of the difference between the Company's expected payment to indemnify the contract holder for the credit loss incurred, minus the amount expected to be collected by the Company from the contract holder, the debtor or any other party.

4) The credit loss of financial assets with credit impairment on the balance sheet date but not purchased or sourced is the difference between the book balance of the financial assets and the present value of the estimated future cash flow discounted at the original effective interest rate.

Factors reflected in the Company's method measuring expected credit losses on financial instruments include unbiased probability weighted average amount determined by evaluating a series of possible outcomes, the time value of money; reasonable and well-founded information about past events, current conditions, and forecasts of future economic conditions that can be

obtained without unnecessary additional costs or efforts on the balance sheet date.

(4) Write-down of financial assets

If the Company doesn't reasonably expect the contractual cash flow of financial assets can be taken back in whole or in part any more, the book balance of such financial assets was directly written down. Such write-down constituted the derecognition of related financial assets.

7. Offsetting financial assets and financial liabilities

The financial assets and financial liabilities are listed in the balance sheet respectively and not offset with each other. However, if the following conditions are met simultaneously, the net amount after offsetting is presented in the balance sheet:

(1) The Company has the legal right to offset the confirmed amount, and the legal right may be executed currently;

(2) the Company plans to settle with net amount or discount the financial assets and pay off the financial liabilities.

(XI) Notes receivable

The Company's determination method and accounting treatment method of expected credit loss of notes receivable are detailed in Note (IX) 6 Financial Instrument Impairment.

The Company evaluates the expected credit loss of receivables based on the single and portfolio financial instrument. If there are objective evidences that can prove credit impairment has occurred to one receivable, the Company recognizes the expected credit loss of this receivable based on the single asset. For other accounts receivable divided into portfolios, by referring to the historical credit loss experience and combining with the current situations and the forecast to the future economic status, the company calculates the expected credit losses according to the exposure at default and the expected credit loss rate in the whole duration. Basis for determining portfolios:

Portfolio name	Combined content
Notes receivable portfolio 1	Bank acceptance bill
Notes receivable portfolio 2	Commercial acceptance bill

Accounting treatment method of expected credit losses

The increased or reserved amount therefrom of credit loss reserves will be included into the current profits and losses as impairment losses or profits.

(XII) Accounts receivable

The Company's determination method and accounting treatment method of expected credit loss of accounts receivable are detailed in Note (IX) 6 Financial Instrument Impairment.

The Company can recognize the credit loss of accounts receivable individually with a single instrument by evaluating the sufficient evidence of expected credit losses at the reasonable cost.

When it was infeasible to assess sufficient evidence of expected credit losses in the aspect of individual tools at a reasonable cost, accounts receivable were divided into several portfolios based on credit risk characteristics, and expected credit losses calculated on the basis of these portfolios with reference to historical credit loss experience and combined with current conditions and judgments on future economic conditions. Basis for determining portfolios:

Basis for determining portfolios:

Portfolio name	Basis for portfolio determination	Withdrawal method
Portfolio of account age	Including accounts receivable in addition to the above portfolio	Aging analysis method
Riskless portfolio	According to the business property, it is ascertained that there is no credit risk, mainly including the funds receivable of governmental departments, reserves of employees, security deposit and guarantee deposit	No withdrawal of bad debt reserves

(XIII) Receivable financing

The Company's determination method and accounting treatment method of expected credit loss of receivable financing are detailed in Note (IX) 6 Financial Instrument Impairment.

(XIV) Other receivables

The Company's determination method and accounting treatment method of expected credit loss of other receivables are detailed in Note (IX) 6 Financial Instrument Impairment.

The Company can recognize the credit loss of other receivables individually with a single instrument by evaluating the sufficient evidence of expected credit losses at the reasonable cost.

When it was infeasible to assess sufficient evidence of expected credit losses in the aspect of individual tools at a reasonable cost, other receivables were divided into several portfolios based on credit risk characteristics, and expected credit losses calculated on the basis of these portfolios with reference to historical credit loss experience and combined with current conditions and judgments on future economic conditions. Basis for determining portfolios:

Portfolio name	Basis for portfolio determination	Withdrawal method
Portfolio of account age	Including other receivables in addition to the above portfolio	Aging analysis method
Riskless portfolio	According to the business property, it is ascertained that there is no credit risk, mainly including the funds receivable of governmental departments, reserves of employees, security deposit and guarantee deposit	No withdrawal of bad debt reserves

(XV) Inventory

Classification of inventories

Inventories include finished goods or commodities for sale in daily activities, unfinished goods in the manufacturing process, and materials and supplies consumed in the process of manufacturing products or providing labor services, etc. held by the Company. The inventory

mainly includes raw materials, revolving materials, outside processing materials, unfinished goods, self-manufactured semi-finished products, finished products (goods in stock), goods in transit and development cost etc.

1. Inventories valuation methods

When the inventories are acquired, it is initially measured at cost, including procurement costs, processing costs, and other costs. Confirm price with specific identification method during inventory delivery.

2. Determination basis of net realizable value of inventory and the withdrawing method for inventory falling price reserves

After a comprehensive inventory at the end of the period, the inventory falling price reserve shall be drawn or adjusted based on inventory cost or net realizable value, whichever is lower. In the course of normal production and operation, the net realizable value of goods inventories directly for sale, such as finished products, goods in stock and materials for sale, shall be determined from the estimated selling price of such inventories after deducting the estimated selling expenses and relevant taxes; In the course of normal production and operation, the net realizable value of the inventory that need to be processed shall be determined by subtracting the estimated cost to be incurred at the time of completion, estimated sales expenses and relevant taxes from the estimated selling price of finished products; the net realizable value of the inventories held for the execution of the sales contract or labor contract shall be calculated on the basis of the contract price. If the quantity of the inventories held is greater than the quantity ordered in the sales contract, the net realizable value of the excess inventories shall be calculated on the basis of the general selling price.

The inventory falling price reserves will be withdrawn based on single inventory item; For the inventory in large quantity and low price, the inventory falling price reserves shall be withdrawn according to the inventory categories; for an inventory related to product series produced and sold in one region, with the same or similar final use or purpose, and difficult to be separated from other items for inventory falling price reserves, counting and withdrawing inventory falling price reserve shall be consolidated.

If the factors causing any impairment of inventories value have disappeared, the amount of depreciated inventory value shall be resumed and reversed from the inventory falling price reserves that has been made. The reversed amount shall be included in current profits and losses.

3. The inventory system of inventories

The perpetual inventory system is applied.

4. Amortization method for low-value consumables and packaging

- (1) The write-off method is adopted for low value consumables;
- (2) Packaging adopts write-off method.

(3) Other revolving materials will be amortized with one-off amortization method.

(XVI) Contract assets

The right of collecting the consideration because the Company has transferred the goods to the customer (and such right depends on other factors except for time lapsing) is listed as contract asset. The right enjoyed by the Company (only depends on time lapses) to receive consideration unconditionally from the customer shall be presented under receivables.

The Company's determination method and accounting treatment method of expected credit loss of contract assets are detailed in Note (IX) 6 Financial Instrument Impairment.

(XVII) Held-for-sale

1. Confirmation standards for classified as held-to-sale

Non-current assets or disposal groups that meet the following conditions at the same time are divided by the Company into the constituent part of held-for-sale:

(1) In accordance with the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under the current conditions;

(2) The sale is likely to occur, that is, the Company has made a decision for a sales plan with approval of regulatory departments and obtained the confirmed purchase commitment, and such sale is predicted to be completed within one year.

The confirmed purchase commitment refers to the legally-binding purchase agreement signed between the Company and other parties, and the agreement shall include such important articles as transaction price, time and strict violation punishment in order to minimize the possibility for significant adjustment or cancellation of the agreement.

2. Accounting method of held-for-sale assets

The Company shall not depreciate or amortize the non-current assets or disposal groups held-for-sale, and if the book value is higher than the net amount after the fees are subtracted from the fair value, the book value shall be written down to the net amount after the fees are subtracted from the fair value, the write-down is recognized as the asset impairment loss and included in the current profits and losses, and the impairment reserve of available for sale asset is made.

For the non-current assets of the disposal groups divided into the held-for-sale category on the obtaining day, the initial measuring amount shall be compared with the net amount of the fair value minus the sales expenses in the condition of assuming they are not divided into the held-for-sale category when they are measured initially, and the lower of them shall be measured.

The above principles apply to all non-current assets, but exclude investment real estate that are subject to follow-up measurement by using the fair value model, biological assets measured by using the net amount after the selling fees are subtracted from the fair value, assets formed by employee compensation, deferred income tax assets, financial assets regulated by the relevant accounting standards of financial instruments and the rights arising from the insurance contracts

regulated by the relevant accounting standards of insurance contracts.

(XVIII) Other creditors' right investments

The Company's determination method and accounting treatment method of expected credit loss of other creditors' right investment are detailed in Note (IX) 6 Financial Instrument Impairment.

(XIX) Long-term receivables

The Company's determination method and accounting treatment method of expected credit loss of long-term receivables are detailed in Note (IX) 6 Financial Instrument Impairment.

When it was infeasible to assess sufficient evidence of expected credit losses in the aspect of individual tools at a reasonable cost, other receivables were divided into several portfolios based on credit risk characteristics, and expected credit losses calculated on the basis of these portfolios with reference to historical credit loss experience and combined with current conditions and judgments on future economic conditions. Basis for determining portfolios:

Portfolio name	Basis for portfolio determination	Withdrawal method
Portfolio of account age	Including other receivables in addition to the above portfolio	Aging analysis method
Riskless portfolio	According to the business property, it is ascertained that there is no credit risk, mainly including the funds receivable of governmental departments, reserves of employees, security deposit and guarantee deposit	No withdrawal of bad debt reserves

(XX) Long-term equity investment

1. Confirmation of initial investment capital

(1) As for long-term equity investment generated from business merger, the specific accounting policy is shown in Note (V) accounting treatment method for business merger under and not under the same control

(2) Long-term equity investments obtained by other means

The long-term equity investment obtained in the form of cash payment is taken as initial investment cost based on the actually paid purchase price. The initial investment cost includes expenses, taxes and other necessary expenses directly related to the acquisition of long-term equity investments.

The initial investment cost of long-term equity investments obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued. The transaction expenses incurred upon issuance or acquisition of self-owned equity instrument, in case the transaction can directly be attributable to the category of equity transaction, shall be deducted from the equity.

On the premise that the fair value of commercial essence and swap-in asset or swap-out asset in non-monetary asset exchange can be reliably calculated, the initial investment cost of the long-term equity investment swapped from non-monetary asset is confirmed based on the fair

value of swap-out assets, unless otherwise there is unambiguous evidence proving that the fair value of swap-in asset is more reliable; For non-monetary asset exchange not meeting the above premise, the book value of swap-out asset and relevant payable taxes are taken as the initial investment cost of swap-in long-term equity investment.

For long-term equity investment obtained through debt restructuring, the initial investment cost is confirmed based on fair value.

2. Follow-up measurement and recognition of profit and loss

(1) Cost method

The long-term equity investment in the invested entity may be accounted with cost method or priced based on initial investment cost by the Company. The cost of long-term equity investment may be adjusted by adding or recovering investment.

The Company shall confirm the investment income according to the share of the cash dividends or profits announced by the invested units, except the cost paid when the investment is obtained or the announced cash dividends or profits included in the consideration which is not issued.

(2) Equity method

Equity method shall be used in the calculation of the long-term equity investment of joint ventures or cooperative enterprises by the Company. Parts of associated enterprise equity investments held by venture capital institutions, mutual funds, trust companies or bodies similar to unit-linked insurance fund shall adopt fair value to calculate and include the variations into profits and losses.

The initial investment cost of long-term equity investment is more than the balance of attributable share of the fair value of the invested entity's net identifiable assets at the time of the investment, the initial investment cost of the long-term equity investment may not be adjusted; If the initial investment cost is less than the enjoyed shares of the fair value of recognizable net assets of the invested entity, the balance shall be included into current profits and losses.

After obtaining long-term equity investment, the Company shall respectively confirm investment income and other comprehensive incomes shares according to the net profits and losses realized by the invested entity and other comprehensive profit amount which it shall enjoy or undertake, and adjust the book value of long-term equity investment at the same time; According to the profits or cash dividends declared and distributed by the invested entity, the portion that should be enjoyed shall be calculated, and the book value of long-term equity investment shall be reduced accordingly. For the other changes in the owners' equities other than the net profits and losses, other comprehensive incomes and profit distribution of the invested entity, the book value of the long-term equity investment shall be adjusted and included into the owners' equities.

The Company shall, on the basis of the fair value of all identifiable assets of the invested

entities when it obtains the investment, confirm the attributable share of the net profits and losses of the invested entities after it adjusts the net profits of the invested entity. That is to calculate and offset profits and losses of unrealized internal transactions between the Company, joint ventures and cooperative enterprises that belong to the Company on which profit and loss of the investment are ascertained.

When confirming losses to be shares of the invested entity, the Company shall treat as per the following procedures: Firstly, offset book value of the long-term equity investment. Secondly, if the book value of the long-term equity investment is insufficient for offset, continue to confirm investment loss based on the book value of other long-term equities substantially constituting net investment of the invested entity, to offset the book value of long-term account receivables. Finally, if the enterprise shall still undertake extra obligations according to investment contract or agreement, confirm the estimated liabilities based on the obligations anticipated to undertake, and count it into current investment losses.

If the invested entities gain profits later, the Company will firstly deduct the unidentified loss contribution, and then follow the above procedures in reverse order, writing down the book balance of the estimated liabilities, recovering other book value of long-term interests and long-term equity investment of the investment unit's net investment substantially, and identifying the investment income.

3. Conversion of accounting methods of long-term equity investment

(1) Fair value measurement converted to equity method accounting

As for the equity investment held by the Company without control, joint control or significant influence on the invested entity and conducting accounting treatment according to financial instrument confirmation and measurement regulations, if it may exert significant influence or joint control (without control) on the invested entity due to increased investment, the fair value of original equity investment (established in accordance with Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments) and added investment cost will be regarded as initial investment cost accounted based on equity method.

The balance between the initial investment cost accounted with equity method and the fair value of recognizable net assets on the additional investment date (invested entity) determined and calculated based on the new shareholding ratio after additional investment will be used to adjust the book value of long-term equity investment and included into current non-operating income.

(2) Fair value measurement or equity method accounting converted to cost method accounting

As for the equity investment held by the Company without control, joint control or significant influence on the invested entity and conducting accounting treatment according to the regulations of recognition and measurement of financial instruments, or as for the long-term equity investment

of joint venture and cooperative enterprise held by the Company, if it can control the invested entity not under the same control due to increased investment, the book value of original equity investment plus additional investment will be regarded as initial investment cost accounted with cost method while preparing individual financial statement.

Other comprehensive incomes of equity investment held before the date of purchase recognized by the equity method shall be treated on the same basis as the direct disposal of related assets or liabilities by the invested entity.

Where the equity investment held before the acquisition date is disposed according to *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*, the changes in accumulative fair value included into other comprehensive incomes shall be transferred into current profits and losses upon measurement through cost method.

(3) Equity method accounting converted to fair value measurement

If the Company loses joint control or significant influence on the invested entity due to disposing part of equity investment, the remaining equity will be measured according to the *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*. The balance between fair value and book value will be included into current profits and losses on the date losing joint control or significant influence.

Other comprehensive incomes of original equity investment recognized by the equity method shall be treated on the same basis as the direct disposal of related assets or liabilities by the invested entity when the equity method is terminated.

(4) Cost method is converted into equity method

If the Company loses control to the invested entity due to disposing partial equity investment, and the remaining equity may exert joint control or significant influence on the invested entity while preparing individual financial statement, it will be measured and adjusted with equity method.

(5) Cost method converted to fair value measurement

If the Company loses control to the invested entity due to disposing part of equity investment, and the remaining equity may not exert joint control or significance on the invested entity while preparing individual financial statement, the accounting treatment will be conducted in accordance with *Accounting Standards for Business Enterprises No. 22 - Confirmation and Measurement of Financial Instruments*. The balance between fair value and book value will be included into current profits and losses on the date losing control.

4. Disposal of the long-term equity investment

When disposing a long-term equity investment, the balance between its book value and the actual price obtained shall be included into the current profits and losses. In case the long-term

equity investment is calculated with equity method, the same basis applied by the invested entities for directly handling with relevant assets and liabilities will be used to handle the investment, and the accounting treatment will be conducted for the part originally included into other comprehensive incomes at the corresponding proportion.

When the disposal of the clause, condition and the economic impact of each transaction for disposal of subsidiary equity investment is subject to one or more of the following conditions, conduct accounting treatment by taking the multiple transactions as a package deal:

- (1) These transactions are considered to be concluded at the same time or made in the case of considering mutual influence;
- (2) These transactions as a whole can reach a complete business result;
- (3) The occurrence of a transaction depends on the occurrence of at least one other transaction;
- (4) One transaction alone is not economical, but when being considered together with other transactions, it is economical.

When the Company loses its control power over the original subsidiaries because of the disposal of part equity investment or other reasons other than package deal, a distinction shall be made between individual financial statement and the consolidated financial statement to conduct the accounting treatment:

(1) As for the disposed equity in individual financial statement, the balance between book value and actual value will be included into current profits and losses. In case of disposed residual equity with joint control and significant influence on the invested entity, calculate with equity method, and adjust the residual equity with equity method since the time of obtaining; In case of the disposed residual equity being not able to jointly control or have a significant influence on the invested entity, conduct accounting treatment according to relevant regulations in *Accounting Standards for Business Enterprises No. 22 -- Recognition and Measurement of Financial Instruments*, and account the balance between the fair value on the date losing control and book value into current profits and losses.

(2) In consolidated financial statement, for the balance between each transaction, disposal price and disposed long-term equity investment before losing control to subsidiaries and the corresponding net asset share calculated since the purchase date or merger date, adjust capital reserve (share premium), and adjust retained earnings for those capital reserves insufficient for offset; In case of loss of control to subsidiaries, re-calculate residual equity according to fair value on the date of losing control. The balance of the sum of the acquired consideration from the equity disposal and fair values of residual equities, deducting the sum of shares of net assets that shall be entitled through calculating with the original shareholding ratio, and continuously calculated from the acquisition date of original subsidiaries, shall be included in the investment incomes of the period losing control right, at the same time offset goodwill. Other comprehensive incomes

associated with the equity investment of the original subsidiaries should be converted into current investment income when losing the control right.

If the transaction disposing subsidiaries equity investment until losing control belongs to package deal, the transaction will conduct accounting treatment as a transaction disposing subsidiary equity investment and loss of control. Accounting treatment will be conducted separately on individual financial statement and consolidated financial statement:

(1) In the individual financial statement, the balance of long-term equity investment book value when disposing price and stock will be confirmed as other comprehensive income before loss of control rights, and when the control rights loses, the other comprehensive incomes concurrently transferred to current profits and losses.

(2) In the consolidated financial statement, the balance between the disposal price and the subsidiaries' net asset shares enjoyed corresponding to disposing investment before losing of control right shall be recognized as other comprehensive incomes, which will be transferred into the current profits and losses of the period losing the control right when the control right is lost.

1. Judgment standard of joint control and significant impact

If the Company controls certain arrangement together with other participators as agreed and makes decision on activities with significant influence, the decision may exist upon consent of participators sharing control rights. It will be deemed as the Company controlling the arrangement with other participators. The arrangement refers to a joint-operation arrangement.

If the joint-operation arrangement is reached by an independent entity and the Company is entitled to the net assets of the independent entity as agreed, the independent entity will be regarded as cooperative enterprise and be accounted with equity method. If the Company is not entitled to the net assets of the independent entity, the independent entity will be regarded as a joint operation. The Company confirms the items related to joint operation share and conduct accounting treatment in accordance with Accounting Standards for Business Enterprises.

Significant influence refers to the investor's power to participate in the decision-making of the financial and operating policies of the invested entity, but it cannot control or jointly control the formulation of these policies with other parties. The Company judges to have significant influence on the invested entity by means of one or several circumstances as follows and upon considering all facts and conditions. (1) Appoint representatives in the board of directors or equivalent authorities of the invested entity; (2) Participate in making financial and operation policy for the invested entity; (3) Conduct important deals with the invested entity; (4) Send administrative staff to the invested entities; (5) Provide key technical data for the invested entities.

(XXI) Investment-oriented real estate

The investment real estate refers to the real estate that is held to earn the rental and/or for the purpose of capital appreciation. Including rented land use right, holding land use right after that

may later transferred when its value adds, rented buildings, etc. In addition, for vacant buildings of the Company for leasing, if the Board of Directors makes written decisions to specify for leasing and there will be no change within the short period, it shall be presented as investment real estate.

The Company's investment real estate will be accounted based on the cost. The cost of outsourcing investment real estate includes purchase price, relevant taxes and expenses and other expenditure which directly belong to the assets; The cost of self-construction of investment real estate constitute with the necessary expenses incurred before the construction of the asset reaches the intended serviceable condition.

For follow-up measurement of the investment real estate done through the fair value pattern, where there is no accrual depreciation or amortization made for it, its book value shall be adjusted on the basis of its fair value on the date of the balance sheet, and the balance between the fair value and its original book value shall be included in the current profits and losses.

The basis for subsequent measurement of investment real estate using the fair value model is:

① There is an active trading market of real estate in the place where the investment real estate locates. ② The Company is able to obtain the market prices of the identical or similar property and other relevant information from the trading market of property, so as to be able to estimate the fair value of the investment real estate.

While the Company confirming the fair value of investment real estate, current market price of the same or similar real estate on the active market is referred to; If the current market price of the same or similar real estate cannot be acquired, the Company refers to the recent transaction price of the same or similar real estate on the active market and takes the factors such as asset, transaction situation, transaction date and region so as to reasonably estimate the fair value of the investment real estate; Or confirm the fair value as per the predicted rent gains receivable in the future and the current value of cash flow.

Where the Company has unambiguous evidence proving that the purpose of the investment real estate has changed into a self-use property, the fair value on the day of transfer shall be the book value of the self-use property and the balance between the fair value and the original book value shall be included in the current profits and losses. Where any self-use real estate or inventories is converted to investment real estate measured by the fair value model, the investment real estate shall be valued by the fair value on the very date of the conversion. If the fair value on the very date of the conversion is less than the original book value, the difference should be recorded in the current profits and losses; If the fair value on the very date of the conversion is more than the original book value, the difference should be recorded in Other comprehensive incomes.

(XXII) If an investment real estate is disposed, or if it withdraws permanently from use and it is predicted that no economic benefit will be obtained from the disposal, this

investment real estate shall be derecognized. The amount left as the book value and relevant taxes are deducted from the disposal revenues obtained from the sale, transfer, discard or damage of the investment real estate shall be included in the current profits and losses. Fixed assets

1. Recognition conditions of fixed assets

Fixed assets refer to tangible assets held by producing products, providing labor services, renting or operating management, with service life exceeding one accounting year. The fixed asset may be recognized when it simultaneously meets the conditions as follows:

- (1) Economic benefits related to the fixed asset may flow into enterprises;
- (2) The cost of the fixed asset can be reliably calculated.

2. Initial measurement of fixed assets

The fixed assets of the Company were initially measured in accordance with the cost.

(1) The costs of the purchased fixed assets include the purchasing price, import tariff and other relevant taxes as well as other expenditures incurred before letting the fixed assets reach the predetermined usable condition which can directly belong to this kind of assets.

(2) The cost of self-construction of fixed asset constitute with the necessary expenses incurred before the construction of the asset reaches the intended serviceable condition.

(3) As for fixed assets invested by investors, the entry value thereof equals to the value agreed in the investment contract or the agreement, but if the value agreed in the contract or the agreement is not fair, the entry shall be made at fair value.

(4) If the fixed assets are purchased at a price beyond normal credit conditions for delayed payment, substantially with the financing nature, the costs of the fixed assets shall be recognized based on the present value of the purchase price. The balance between the present values of the actually-paid price and the purchase price shall be included into the current profits and losses during the credit period, except for the part that shall be capitalized.

3. Follow-up measurement and disposal of fixed assets

(1) Depreciation of fixed assets

The depreciation of fixed assets was accrued in the estimated useful life after the anticipated net residual value was subtracted from the recorded value. For fixed assets withdrawing impairment reserve, depreciation amount is determined according to the book value after the impairment reserves are deducted and durable years in the future; The fixed assets of which the depreciation has been fully withdrawn, but continued to be used, were not depreciated.

The service life and anticipated net residual value was recognized according to the nature and use condition of the fixed assets. At the end of the year, the service life, anticipated net residual value and depreciation method of the fixed assets were re-checked. In case of difference from the original estimation, corresponding adjustment would be made.

Depreciation method, life and yearly depreciation rate of various fixed assets, are listed as follows:

Type	Depreciation method	Depreciation life (year)	Residual rate (%)	Yearly depreciation rate (%)
Houses and buildings	Straight-line method	20—40	4% and 5%	4.70—2.38
Transportation equipment	Straight-line method	5—10	4% and 5%	19.20—9.50
Office and electronic equipment	Straight-line method	3-5	4% and 5%	32.00-19.00
Other	Straight-line method	5-20	4% and 5%	19.20-4.75

(2) Subsequent expenditures of fixed assets

In case that the subsequent expenditures related to fixed assets conform to recognition conditions of fixed assets, they would be included in the cost of fixed assets; if not, they would be included in current profits and losses.

(3) Disposal of fixed assets

When the fixed assets are disposed or cannot be expected to produce economic interests through use or disposal, the asset shall be derecognized. The amount left as the book value and relevant taxes are deducted from the disposal revenues obtained from the sale, transfer, discard or damage of the fixed asset shall be included in the current profits and losses.

(XXIII) Construction in progress

1. Initial measurement of construction in progress

Construction in progress built by the Company will be valued by the actual costs thereof which are composed by all the necessary expenses in construction before the built assets are up to the predetermined usable condition, including material costs, labor costs, relevant taxes and dues paid, to-be capitalized borrowing costs and to-be-amortized indirect expenses, etc. thereof.

2. The standard and time point for construction in process transferred to fixed assets

The project of construction in progress is the entry value of fixed assets based on all expenditures spent to enable the construction asset to reach the predetermined usable condition. If construction in progress of constructed have reached the predetermined usable condition, but have not dealt with final settlement of completion, they shall be counted into fixed assets since the date of reaching the preset using conditions as estimated value based on project budget, construction cost or actual cost of the project, and depreciation of the fixed assets shall be withdrawn based on the Company's fixed assets depreciation policies. The original estimated value shall be adjusted based on the actual cost after the final settlement of completion, without adjusting originally withdrawn depreciation amount.

(XXIV) Borrowing expenses

1. Recognition principles for the capitalization of borrowing costs

Borrowing expense which the company can be directly attributable to capital acquisition and

construction or production meeting capitalization conditions shall be capitalized and counted into relevant asset costs; For other borrowing expenses, they are recognized as expenses based on accrual during the occurrence and counted into current profits and losses.

Assets eligible for capitalization refer to fixed assets, investment real estate, inventories, and other assets that require a considerable amount of time for acquisition or construction, or production to be ready for use or sale.

If the borrowing costs meet the following conditions, the capitalization shall be started:

(1) Expenditure on assets has occurred, including expenses incurred in the form of cash payments, transfer of non-cash assets or taking on interest-bearing liabilities for the purchase, construction or production of assets subject to capitalization;

(2) Borrowing costs have occurred;

(3) The purchase, construction or production activities necessary to make the assets ready for use or sale have already begun.

2. Period for capitalization of borrowing expenses

Capitalization period of borrowing expenses refers to the period from the commencement to the cessation of capitalization of the borrowing expenses, excluding the period of suspension of capitalization of borrowing expenses.

Capitalization of borrowing costs is stopped when the assets obtained from acquisition and construction or production meeting capitalization conditions reach the predetermined usable condition or salable condition.

When some items of the assets obtained from the acquisition and construction or production meeting capitalization conditions are separately completed and can be separately used, capitalization of borrowing expense of this asset part shall be stopped.

If each part of the assets obtained from the acquisition and construction or production is separately completed, but it can be used or sold to others only after overall completion, capitalization of borrowing cost of this asset shall be stopped at overall completion.

3. Period of suspension capitalization

If any abnormal interruption appears during acquisition and construction or production of assets meeting capitalization conditions and the interruption exceeds 3 consecutive months, capitalization of borrowing expenses shall be suspended; If such interruption constitutes a procedure required to enable assets meeting capitalization conditions obtained from acquisition and construction or production to reach the predetermined usable condition or salable condition, capitalization of the borrowing expenses shall be continued. If the borrowing expenses occurred during interruption is confirmed as the current profits and losses, capitalization of borrowing expenses shall be continued after restarting asset acquisition and construction or production activities.

4. Calculation method of loan cost capitalization amount

The specialized borrowing interest expense (deducting the interest income that is gained by the unused loan depositing in bank and the temporary investment income) and its auxiliary expenses are capitalized when the assets in acquisition and construction or meeting the capitalization standards reach the predetermined usable condition or salable condition.

The interest amount of the general borrowing to be capitalized shall be calculated and determined by the weighted average of the excess part of accumulative asset expenditures compared with the asset expenditures for special borrowing being multiplied by the capitalization rate of the general borrowing. The capitalization rate is determined based on the weighted average interest rate of general borrowings.

If there exists depreciation or premium of borrowing, confirm depreciation or premium amount to be amortized based on the effective interest rate method in each accounting period, and adjust interest amounts in each period.

(XXV) Right-to-use assets

The right-to-use assets of the Company are initially measured at cost. The said cost includes:

1. Initially measured amount of lease liabilities;
2. Amount of lease payments made on or before the lease beginning date; in case of any lease incentive, the related amount of such lease incentive having been enjoyed shall be deducted;
3. Initial direct costs of the company;
4. The Company's estimated costs for dismantling and removing the leased assets, restoring the site where the leased assets are located, or restoring the leased assets to the agreed state under the lease terms, excluding the costs incurred for the production inventory.

After the commencing date of the lease term, the Company carried out subsequent measurement of right-to-use assets with the cost model.

Where the ownership of the leased assets can be reasonably recognized at the expiration of the lease term, the Company accrues depreciation within the remaining service life of the leased assets. Where the ownership of the leased assets cannot be reasonably recognized at the expiration of the lease term, the leased assets would be depreciated within the lease term or the service life thereof, whichever is shorter. As regards right-to-use assets with the impairment reserved calculated and withdrawn, depreciation shall be calculated and withdrawn in the future on the above principle at the book value after deducting the impairment reserve.

(XXVI) Intangible asset and development expenditure

Intangible assets refer to the identifiable non-monetary assets without material form owned or controlled by the company, including land-use right, computer software, contractual right of land,

etc.

1. Initial measurement of intangible assets

The cost of outsourcing intangible assets, including purchase price, relevant taxes and charges and dues as well as other expenditures which are directly attributed to make intangible assets to the estimated purpose. If the intangible assets are purchased at a price beyond normal credit conditions for delayed payment, substantially with the financing nature, the costs of the intangible assets shall be recognized based on the present value of the purchase price.

For the intangible assets obtained by debt restructuring that are paid by the debtors for debt, its entry value shall be confirmed on the basis of the fair value of the intangible assets. The balance between the book value of the debt restructuring and the fair value of the intangible assets paid for debt shall be included in the current profits and losses.

On the premise that the fair value of commercial essence and swap-in asset or swap-out asset in non-monetary asset exchange can be reliably calculated, the entry value of the intangible asset swapped from non-monetary asset is confirmed based on the fair value of swap-out assets, unless otherwise there is unambiguous evidence proving that the fair value of swap-in asset is more reliable; For non-monetary asset exchange not meeting the above premise, the book value of swap-out asset and relevant payable taxes are taken as the cost of intangible assets without confirming profits and losses.

Entry value of intangible assets obtained from the merger of enterprises under same control shall be confirmed based on book value of the merged party; Entry value of intangible assets obtained from the merger of enterprises under different control shall be confirmed based on fair value;

Cost of internally developed intangible assets includes: materials consumed in developing the intangible assets, service cost, registration fee, amortization of other patents and chartered rights used in development and interest expense meeting capitalization conditions, and other direct expenses spent to enable the intangible assets to realize the preset purposes.

2. Follow-up measurement of intangible assets

The Company analyzes and judges the service life upon obtaining intangible assets. The intangible assets are divided into that with a limited service life and uncertain service life.

(1) Intangible assets with limited service life

The intangible assets with a limited service life shall be amortized through straight-line method within the time limit when bringing economic benefits to the enterprise. The expected service life and basis of intangible assets with a limited service life is shown as follows:

Item	Predicted service life	Basis
Land use rights	50 years	Warrant period
Commercial software	5 years, 3 years	Accounting estimates

Item	Predicted service life	Basis
Patent right	5-10 years	Warrant period
Land contract and management right	50-70 years	

At the end of each period, the company shall recheck the service life and the amortization method of intangible assets with limited service life, and if there are differences compared with the original estimated data, the company shall adjust correspondingly.

Through recheck, the service life and the amortization method of intangible assets at the end of the period are the same as the previous estimated values.

(2) Intangible assets with uncertain service life

Intangible assets will be considered as assets that have uncertain service life, if it cannot be predicted the economic benefit period brought to the company. The company shall not amortize intangible assets with uncertain service life within the holding period, and shall recheck the service life of intangible assets at the end of the period. If the service life of intangible assets is still uncertain after recheck at the end of the period, the impairment test in each accounting period will be conducted.

Upon recheck, the service life of the land use right and the contractual right of land is still uncertain.

3. Specific standards of research stage and development stage for classifying the Company's internal research and development projects

Research stage: a stage for original and planned investigations and researches to obtain and understand new science or technology knowledge.

Development stage: a stage of applying research achievements or other knowledge in a certain plan or design to produce materials, devices and products with new or substantial improvement before commercial production or use.

Expenditures during the research stage of the internal research and development item shall be included into current profits and losses when occurred;

4. Expenditure at the development stage meets the specific criteria for capitalization

Expenditure at the development stage of internal R&D programs which meets all the following conditions is confirmed as intangible assets:

- (1) where it can be technically feasible to complete and use or sell the intangible assets;
- (2) where it has the intention to complete and use or sell the intangible assets;
- (3) Ways in which intangible assets generate economic benefits including the ability to prove that the products produced by such intangible assets exist in the market or that the intangible assets themselves exist in the market, and that the intangible assets shall be used internally, which can prove their usefulness;
- (4) where it has sufficient technical, financial and other resources to support the development

of the intangible assets and the ability using or selling the intangible assets;

(5) where the expenditures attributable to the development stage of the intangible assets can be reliably measured.

(XXVII) Long-term asset impairment

On the balance sheet date, the company will judge whether there is any indication that the impairment of long-term assets may occur. If long-term assets have the indication of impairment, the company shall estimate its recoverable amount based on the single asset; As for the single asset whose recoverable amount is difficult to be estimated, the recoverable amount of the asset group shall be confirmed based on the asset group it belongs to.

The recoverable amount estimation of an asset shall be determined by the higher one between the net amount of the fair values of the asset deducting the disposal expenses and the present values of the expected future cash flows of the asset.

The measurement results of the recoverable amount show that if the recoverable amount of long-term assets is lower than its book values, the book values of long-term assets shall be reduced to the recoverable amount and the reduced amount shall be confirmed as asset impairment losses and be included into the current profits and losses, and the corresponding asset impairment reserves shall be calculated and withdrawn at the same time. Once asset impairment losses are recognized, it shall not be reversed in subsequent accounting periods.

After asset impairment losses have been confirmed, the depreciation expenditures or amortization expense of the impaired assets shall be adjusted accordingly in the future period in order to amortize the book value adjusted of the intangible assets systematically (deducting the expected net residual value) within the residual service life of the fixed assets.

No matter whether there is any sign of impairment, the goodwill formed by business merger and intangible assets with uncertain useful service life shall be subject to impairment test every year.

During the impairment test, the book value of goodwill shall be apportioned to asset group or combination of asset group expected to benefit from the synergistic effect of business merger. In the case of conducting impairment tests to relevant asset groups or asset group portfolios containing goodwill, if there are impairment signs for asset groups or asset group portfolios related to goodwill, it is required to firstly conduct impairment test to asset groups or asset group portfolios not containing goodwill, calculate recoverable amount, and compared with relevant book values to confirm the corresponding impairment loss. Then conduct the impairment test to asset groups or asset group portfolios containing goodwill, compare book values of these relevant asset groups or asset group portfolios (including the amortized book value of goodwill) with their recoverable amounts. If the recoverable amount of relevant asset groups or asset group portfolios is lower than book value, confirm impairment loss of the goodwill.

(XXVIII) Long-term unamortized expenses

1. Amortization techniques

Long-term deferred expenses refer to the various expenses that have occurred, but shall be burdened by the Company in the current period and all periods in the future, with the amortization period of 1 year or above. The long-term deferred expenses shall be amortized in installments with the straight-line method within the benefit period.

(XXIX) Contract liabilities

The Company recognizes part of the obligation of transferring to clients commodities corresponding to received or receivable considerations as contract liabilities.

(XXX) Employee remuneration

Employee remuneration refers to the remuneration or compensation in any form given to an employee for his/her services or release of the labor relationship with him/her by the Company. Employee remuneration includes short-term remuneration, welfare after demission, dismissal welfare and other welfare of long-term employees.

1. Short-term remuneration

Short-term remuneration refers to the payroll paid by the Company in full within 12 months after the end of the annual reporting period in which an employee provides relevant services, excluding welfare after demission and demission welfare. During the accounting period in which an employee provides services for the Company, the payable short-term remuneration was recognized as liabilities, and included in related asset costs and expenses in accordance with the beneficiary that the employee serves.

2. Welfare after leaving

Post-employment benefits refers to various forms of remuneration and welfare after retirement or release of the labor relationship with an employee by the Company to receive the service provided by the employee, excluding short-term remuneration and demission welfare.

The Company's welfare plan after demission is the defined contribution plan.

The defined contribution mainly refers to basic endowment insurance and unemployment insurance provided by labor and social security organization. During the accounting period when an employee provides services for the Company, the amount to be deposited calculated based on the defined contribution plan was recognized as liabilities and included in current profits and losses or the relevant asset costs.

The Company does not have other payment obligations after paying above funds as per national standard and pension plan.

3. Demission welfare

Demission welfare refers to the compensation for employees provided by the Company for the release of labor relation with such employees before labor contract expires or for encouraging

them to voluntarily accept redundancy. The Company would recognize the liabilities resulting from the compensation given to those with whom the labor relation is severed and include them in current profits and losses at the earlier of the date when the Company does not unilaterally withdraw labor relation or make redundancy advice and the date when the relevant cost in relation to the payment of demission welfare is recognized.

Employees of the Company who accept the early retirement arrangement would be provided with early retirement benefits. Early retirement benefits would be provided to employees who are willing to retire from the working post and are approved by the management layer of the Company earlier than the mandatory retirement age as required by the state, including the payment of salary and social insurance premiums, etc. Early retirement benefits would be provided to such employees from the date of the early retirement arrangement to the statutory retirement age. The Company would treat the early retirement benefits compared with demission welfare. When the conditions of demission welfare are met, the payable salary and social insurance premiums in the period from the date when the employee stops providing services to date of normal retirement would be recognized as liabilities and included in current profits and losses. The differences arising from changes in actuarial assumption for early retirement benefits and adjustment on benefit standards would be included in current profits and losses upon occurrence.

4. Other long-term employee benefits

Other long-term employee welfares refer to all employee welfares excluding short-term remuneration, post-employment benefits and demission welfare.

For other long-term employee welfare conforming to the conditions of defined contribution plan, the amount to be deposited would be recognized as liabilities and included in current profits and losses or related asset cost during the accounting period when the employee provides service to the Company. In addition to the above-mentioned other long-term employee welfares, the independent actuary would make welfare obligations generated from the defined benefit plan attributed to the period of which the employee provides services and included in current profits and losses or relevant asset costs by means of expected accumulated welfare unit method on the balance sheet date.

(XXXI) Estimated liabilities

1. Recognition criteria for estimated liabilities

When the obligations related to contingencies meet the following conditions at the same time, the Company shall recognize them as estimated liabilities:

The obligation is the current obligation undertaken by the Company;

The performance of such obligation is likely to result in the outflow of economic benefits from the Company;

The amount of the obligation can be measured in a reliable manner.

2. Calculation method for estimated liabilities

The estimated liabilities of the Company are initially measured in accordance with the best estimate of the expenses required to perform relevant current obligations.

When determining the best estimate, the Company has comprehensively taken the risks, uncertainties, time value of money and other factors related to contingencies into consideration. For the serious impact of currency, the best estimates shall be determined by discounting relevant future cash outflow.

The best estimates are dealt with in accordance with following cases:

If there is a continuous range (or interval) of required expenditures within which all outcomes are equally likely to occur, the best estimate is determined by the average of the middle values of the range, i.e., the upper and lower amounts.

Where there is no continuous range (or interval) of required expenditures, or there is a continuous range within which the probabilities of various outcomes are different, if the contingencies involve a single project, the best estimate is determined according to the amount most likely to occur; Where contingencies involve more than one item, the best estimate is determined by a calculation of the various possible outcomes and associated probabilities.

If all or part of the expenses required by the Company to repay the estimated liabilities are expected to be compensated by a third party, the amount of compensation shall be recognized separately as an asset when it is basically confirmed to be received, and the confirmed amount of compensation shall not exceed the book value of the estimated liabilities.

(XXXII) Lease liabilities

The Company's leased liabilities shall be initially measured at the present value of the outstanding lease payments on the commencement date of the lease term. When calculating the present value of the lease payment, the Company uses the interest rate implicit in the lease as the discount rate. If the interest rate embedded in the lease cannot be determined, the company's incremental loan interest rate shall be used as the discount rate. Lease payment includes:

1. Fixed payment amount and actual fixed payment amount after deducting the amount relating to the lease incentive;
2. Variable lease payment dependent on the index or ratio;
3. In the case where the Company reasonably determines to execute this option, the lease payment amount includes the exercise price of the call option;
4. It is reflected during the lease term that when the Company will execute termination of the lease option, the lease payment amount includes the fund that needs to be paid for executing termination of the lease option;

5. The amount payable shall be predicted pursuant to the guaranteed residual value provided by the Company;

The company calculates the interest expense of the lease liability in each period of the lease terms at a fixed discount rate and includes the asset cost and the current profits and losses.

The variable lease payment not included into the measurement of lease liabilities will be included into current profits and losses or relevant asset costs when it actually occurs.

(XXXIII) Share-based payment

1. Types of share-based payment

The share based payment of the Company is categorized into equity settled share based payment and cash settled share based payment.

2. Confirmation method for the fair value of the equity instruments

Granted options in active markets and other equity instruments, it shall determine the fair value according to the quotation in active markets. Granted options in inactive market and other equity instruments adopt option pricing model and others to confirm their fair value, and consider the following factors when selecting option pricing models: (1) Executive price of option; (2) Option validity period; (3) Current price of underlying share; (4) Expected volatility of share price; (5) Expected dividend of shares; (6) Risk-free interest rate within option validity period.

When determining the fair value on the grant date of equity instrument, consider the influence of market condition in the vesting conditions and non-vesting condition as stipulated in the share-based payment agreement. In case of the non-vesting condition for stock payment, the service cost is confirmed to be gained only if the employee or other parties satisfied the non-market condition in all vesting conditions (e.g. service term).

3. The determination basis for the optimal estimates of vesting equity instrument

As for each balance sheet date in the waiting period, the company can make optimum estimation according to the variations in the number of employees and other subsequent information, in order to amend the amount of equity instrument of the estimated vesting. On the date of vesting right, the quantity of ultimate estimated vesting equity instrument shall be consistent with actual vesting right.

4. Accounting treatment method

The equity-settled share-based payment shall be measured based on the fair value of equity instruments granted to the employees. If the vesting right is exercisable after conferring, it will be included into the costs or expenses based on the fair value of equity instrument on conferring date and the capital reserve will be increased. If the vesting right cannot be exercised until the service comes to an end in the vesting period or until the prescribed performance conditions are met, on each balance sheet date within the vesting period, the services obtained in this term should, based on the best estimates of the number of vested equity instruments, be included into relevant costs or

expenses and the capital reserves in accordance with at fair value of the equity instrument authorization day. An enterprise shall, after the vesting date, make no adjustment to the relevant costs or expenses as well as the total amount of the owner's equities which have been confirmed.

A cash-settled share-based payment shall be measured in accordance with the fair value of liability calculated and confirmed based on the shares or other equity instruments undertaken by the company. If the vesting right is exercised immediately after granting, it shall be included into relevant costs or expenses based on the fair value of the liabilities undertaken by the company on grant date and the liabilities shall be increased accordingly. For share payment settled based on cash, If it can only be executed after completing services within the waiting period or meeting specified achievement conditions, on each balance sheet date within the waiting period, current services will be included into relevant cost or expenditure and liabilities based on the optimal estimation of quantity of executable equity and according to fair values of liability born by the company. The fair value of the liability is re-measured at the balance sheet date and the balance sheet date before the settlement of the related liabilities, and the change is included in the current profits and losses.

During the waiting period, if the granted equity instrument is cancelled, the company will cancel the granted equity instrument as an accelerated exercise, and the amount to be recognized in the remaining waiting period will be immediately included in the current profits and losses, and the capital reserves shall be recognized at the same time. If the employee or other party can choose to meet the non-vesting conditions but fails to meet in the waiting period, the company will treat it as a cancellation of the equity instrument.

(XXXIV) Preferred stock, perpetual bond and other financial instruments.

According to the provisions of the code on financial instruments, the Company shall classify financial instruments or its components into financial liabilities or equity instruments during the initial recognition in accordance with contract terms of the issued preferred shares, perpetual bonds and other financial instruments and reflected economic essence in legal forms and others, in combination with definitions of financial liabilities and equity instruments;

1. In case of meeting one of the following conditions, the issued financial instruments can be classified as financial liabilities:

- (1) Contract obligation of paying cash or other financial assets to other parties;
- (2) The contractual obligations to exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions;
- (3) The contractual obligations to non-derivative instruments which must be settled or may be settled by the enterprise with its own equity instruments in the future, whereby the enterprise will deliver an unfixed amount of the equity instruments of its own according to the said contract;
- (4) The derivative contracts which must be settled or may be settled by the enterprise with its

own equity instruments in the future, except for derivative contracts which exchange fixed-amount cash or other financial assets with its own equity instruments.

2. In case of meeting all the following conditions at the same time, the issued financial instruments can be classified as equity instruments:

(1) Such financial instruments do not include contract obligations of paying cash or other financial assets to other parties, or exchanging financial assets or liabilities with other parties under possible adverse conditions;

(2) In case of being necessary or able to use its own equity instrument to settle the financial instruments in the future, if the financial instrument is not derivative instrument, it shall not include contractual obligations of paying self-equity instrument variability in terms of number for settlement; If it is derivative instrument, the company can only exchange the fixed-amount cash or other financial assets with fixed-amount self-equity instrument to settle these financial instruments.

3. Accounting treatment method

For financial instruments classified as equity instruments, their interest expense or dividend distribution shall be regarded as profit distribution of the issuing enterprise, and their buy-back, cancellation, etc. as fluctuation processing, and handling charge, commission and other transaction expenses shall be deducted from equity;

For financial instruments classified as financial liabilities, their interest expense or dividend distribution, by principle, shall be disposed as borrowing expenses, the income and loss generated from buy-back or redemption shall be included in current profits and losses, and count handling charge, commission and other transaction expenses into the initially calculated amount of the issued instrument.

(XXXV) Income

1. General principles of income confirmation

The Company has fulfilled the performance obligations in the contract, that is, the revenue is recognized at the transaction price allocated to the performance obligation when the customer obtains control of the relevant goods or services.

The performance obligation refers to the commitment in the contract that the Company transfers the clearly distinguishable goods or services to the customers.

The obtaining of the right to control the relevant goods refers to being able to dominate the use of such goods and obtain almost all the economic benefits from it.

The Company evaluates the contract on the start date of the contract, identifies the individual performance obligations contained in the contract, and determines whether the individual performance obligations are performed within a certain period of time or at a certain point in time. If one of the following conditions is met, it belongs to the performance obligation to be performed

within a certain period of time, and the company recognizes the revenue within a certain period of time according to the performance progress: (1) The customer obtains and consumes the economic benefits while the Company fulfills the performance obligation; (2) The customer can control the goods under construction during the performance period of the Company; (3) The goods produced during the performance period have irreplaceable purposes and the Company is entitled to charge money for the performance accumulated and finished until the current time within the whole contract period. Otherwise, the Company recognizes the revenue at the time when the customer obtains the control over the relevant goods or services.

As for the performance obligation performed within one period of time, the Company determines the appropriate performance progress with the output method according to the property of the commodity and the labor. The output method is based on the value of transferred goods for the customers to confirm the performance progress. If the performance progress cannot be determined reasonably and costs incurred are expected to be compensated of the Company, the revenue will be ascertained according to the costs incurred until the performance progress is determined reasonably.

2. The income handling principle of specific transactions

(1) Contracts attached with a sales return clause

When the customer obtains the control of relevant goods, the Company recognizes the revenue according to the amount of consideration expected to be entitled to receive due to the transfer of goods to the customer (i.e., excluding the amount expected to be returned due to sales return), and recognizes the liability according to the amount expected to be returned due to sales return.

The balance between the book value of the commodity that is expected to be returned when selling the commodity and the cost that is expected to be incurred due to recovery of this commodity (including the value impairment of the returned commodity) shall be accounted under the "receivable return cost" item.

(2) Contract with quality assurance clauses

This quality assurance is evaluated to determine whether a separate service is provided in addition to the guarantee that the commodity sold can meet the established standard. Where the Company provides additional services, it shall be deemed as an individual performance obligation, and the accounting handling shall be carried out according to the provision of the income standard; otherwise, accounting handling of the quality assurance liability shall be conducted according to the provision of the accounting standard of contingencies.

(XXXVI) Contract cost

1. Contract performance cost

The cost incurred by the Company to perform the contract is recognized as an asset if it does

not fall within the scope of other Accounting Standard for Business Enterprises other than the revenue standard and meets the following conditions at the same time:

(1) The cost is directly related to a current or anticipated contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), costs clearly borne by the customer, and other costs incurred solely due to the contract;

(2) This cost includes resources used by the Company for the future performance obligations.

(3) The cost is expected to be recovered.

The asset is presented in other current assets or other non-current assets based on whether the amortization period at the time of initial recognition exceeds a normal operating cycle.

2. Contract acquisition cost

The incremental cost incurred by the Company to obtain the contract and expected to be recovered is recognized as an asset as the contract acquisition cost. Incremental costs refer to costs that the company will not incur without obtaining a contract, such as sales commissions. It shall be included in the current profits and losses when it occurs if the amortization period of the asset does not exceed one year.

3. Amortization of contract costs

The above-mentioned assets related to contract costs shall be amortized at the time of performance of the performance obligation or according to the performance of the performance obligation on the same basis as the income recognition of goods or services related to the asset, and shall be included in the current profits and losses.

4. Impairment of contract costs

The excess shall be provided for impairment and recognized as asset impairment loss if the book value of the above-mentioned assets related to contract costs is higher than the difference between the remaining consideration that the company is expected to obtain due to the transfer of the commodity related to the asset and the estimated cost to be incurred for the transfer of the related commodity.

After the provision for impairment is accrued, if the factors of impairment in previous periods change, making the difference between the above two items higher than the book value of the asset, the original provision for impairment of the asset shall be reversed and included in the current profits and losses. However, the book value of the reversed asset shall not exceed the book value of the asset on the date of reversal under the assumption that no provision for impairment is made.

(XXXVII) Government subsidy

1. Type

Government subsidies are the monetary and non-monetary assets freely obtained by the Company from the government. According to the subsidy object stipulated in relevant government

documents, the government subsidy is divided into the government subsidy related to assets or one related to income.

The government subsidy related to assets is a government subsidy obtained by the Company, used for purchase or construction, or a long-term asset formed by other ways. The government subsidy related to income is a governmental subsidy excluding the government subsidy related to assets.

2. Recognition of government subsidy

The government subsidy shall be recognized as per the receivable amount as long as it is proved that the Company can satisfy the fiscal supporting policies and be expected to obtain the fiscal supporting funds at the end of the period. In addition, the government subsidy shall be confirmed during the actual reception.

If the government subsidies are monetary assets, they shall be measured at the amount received or receivable. If the government subsidies are non-monetary assets, they shall be measured at fair value; When the fair value fails to be reliably acquired, it shall be measured in accordance with the nominal amount (RMB 1). The government subsidies measured at the nominal amount shall be directly included in the current profits and losses.

3. Accounting treatment method

Based on the essence of economic business, the Company determines whether a certain type of government subsidy business shall be subject to the accounting treatment by using the gross method or the net method. In general, the Company only chooses one method for the same type of or similar government subsidy business, and this method is consistently applied to the business.

Assets-related government subsidies would offset the book value of the relevant assets or be recognized as deferred income. Asset-related government subsidy which is considered as deferred income shall be included into the profits and losses by installment in a reasonable and systematic way within the service life of bought or purchased assets.

The government subsidy related to the income, applied in compensating the relevant cost expenses or losses in the later period of the enterprise and recognized as deferred income, shall be included into the current profits and losses and offset related cost fees during the period of confirming the related cost expenses or losses; The government subsidy, already applied in compensating the relevant cost expenses or losses of the enterprise, shall be directly included into the current profits and losses or offset related cost fees while being acquired.

The government subsidy related to the daily activities of enterprises is included into other incomes or offset related costs fees; The government subsidy that is irrelevant to the enterprise's daily activities shall be counted into nonoperating income and expense.

The received government subsidy related to the loan with discounted interests of the policy preference shall be used to offset the relevant borrowing costs; The received loan with policy

preferential interest rate provided by the loan bank shall take the actually received borrowing balance as its entry value, and the relevant borrowing costs shall be calculated based on the principal of borrowing costs and the interest rate policy preference.

When the recognized government subsidies need to be returned, if the book value of relevant assets is offset during the initial recognition, it shall be adjusted. If there is the deferred revenue balance concerned, the book balance of the deferred revenue shall be offset, but the excessive part shall be included in the current profits and losses; If there is no relevant deferred revenues, it shall be directly counted into the current profits and losses.

(XXXVIII) The deferred income tax assets and the deferred income tax liabilities

Deferred income tax assets and liabilities are calculated and recognized based on the balance (temporary differences) arising between the tax bases of assets and liabilities and the book value thereof. Deferred income tax assets and deferred income tax liabilities shall withdraw the assets or pay off the measurement of applicable tax rate as expected on the balance sheet date.

1. Basis for confirmation of deferred income tax assets

The company may confirm the deferred income tax assets generated from the deductible temporary difference with income tax payable which is possible to deduct deductible temporary differences and carry over the deductible losses and taxes in future years. However, the deferred income tax assets arising from the initial confirmation of assets or liabilities in transactions with the following characteristics shall not be recognized: (1) The transaction is not enterprise consolidation; (2) At the time of transaction, the accounting profits will not be affected, nor will taxable income or deductible losses be affected.

As the deductible temporary differences related to the joint venture investment, while satisfying the following conditions, the corresponding deferred income tax assets shall be confirmed: The temporary differences may be returned in the foreseeable future, and it is likely that taxable income will be available to offset the deductible temporary differences in the future.

2. Basis for confirmation of deferred income tax liabilities

The Company shall confirm the current and the due but unpaid taxable temporary differences as deferred income tax liabilities, While the following are not included:

- (1) Temporary difference upon initial confirmation of goodwill;
- (2) Temporary difference from transaction or matter of non-business combination which may not influence accounting profits and taxable income (or deductible losses);
- (3) As for the taxable temporary difference related to the investment by the subsidiaries and joint ventures, its reversal time can be controlled, and the temporary difference probably will not reverse in the predictable future.

3. When the following conditions are met simultaneously, the deferred income tax assets and deferred income tax liabilities will be listed with the net amount after offsetting

(1) The enterprise has the legal right to settle the current income tax assets and current income tax liabilities with net amount;

(2) Deferred income tax assets and deferred income tax liabilities are related to the income tax collected by the same taxpaying body or the different taxpaying body by the same department of tax administration and management. When the deferred income tax assets and liabilities are turned back in the future, the involved taxpaying body intends to settle current income tax assets and liabilities or simultaneously acquire assets and pay off liabilities by net amount.

(XXXIX) Lease

The company evaluates whether the contract is used for lease or includes the lease on the contract commencement date. Where either party thereto assigns one or more use rights of the recognized assets under its control in a certain period to get consideration, the contract is a lease or includes a lease.

1. Separation of the lease contract

If the contract contains multiple separate leases at the same time, the Company will split the contract and account for each separate lease separately.

When the contract includes both the lease part and the non-lease part, the Company separates the lease part and the non-lease part, the accounting handling of the lease part shall be conducted according to the lease standard, and that of the non-lease part shall be conducted according to other applicable accounting standards for business enterprises.

2. Merger of the lease contract

When two or several contracts including lease established by the Company and one trading party or its affiliated parties at the same time or the close time meet one of the following conditions, accounting handling can be conducted by merging them into one contract:

(1) Such two or several contracts are established based on the overall commercial purpose and form a package deal. If they are not considered as a whole, the overall commercial purpose cannot be understood.

(2) The consideration amount of one contract of these two or several contracts is subject to pricing or performance of other contracts.

(3) The assigned right-to-use of the assets under such two or several contracts constitutes one single item of lease.

3. Accounting handling of the Company as the lessee

After the commencing date of the lease term, except short-term lease and low-value asset lease handled simply, the Company recognizes the right-to-use assets of lease and lease liabilities.

(1) Short-term lease and lease of low-value assets

Short-term lease refers to the lease that does not include the call option and whose lease term does not exceed 12 months. Lease of low-value assets refers to low-value lease when a single lease asset is regarded as a new asset.

(2) More details about the accounting policies on right-to-use assets and lease liabilities are shown in this note, Note [XXIV] and Note [XXXI].

4. Accounting handling of the Company as the lessor

(1) Leasing classification

The company will divide lease into financial leasing and operating lease on the lease commencement date. Financing lease refers to the lease where almost all the risks and remuneration relating to the ownership of lease assets are transferred substantially, and its ownership may be transferred or not transferred ultimately. The operating lease refers to the other leases except for the finance lease.

Where one item of lease encounters one or several of the following case(s), the Company usually classifies the lease into financing lease:

- 1) At the expiry of the lease term, the ownership of lease assets is transferred to the lessee.
- 2) The lessee has the option of buying the lease asset. The established purchase price is low enough compared with the fair value of the lease asset to which the option is expected to be applied, so it can be reasonably recognized that the lessee will execute the option on the commencing date of lease.
- 3) Even if the ownership of the assets is not transferred, the lease term accounts for the most part of the service life of the leased assets.
- 4) On the commencing date of lease, the present value of the lease receipt amount is almost equivalent to the fair value of the lease asset.
- 5) The leased assets are of special nature that only the lessee can use them if major modifications are not made.

Where one item of lease encounters one or several of the following sign(s), the Company may classify the lease into financing lease:

- 1) If the lessee cancels the lease, the losses of the lessor arising from the cancel of the lease by the lessee shall be borne by the lessee.
- 2) Profits or losses arising from fluctuation of the fair value of the remaining value of assets shall belong to the lessee.
- 3) The lessee is capable of continuing to lease to the next term with the rent far lower than the market level.

(2) Accounting treatment of finance leases

On the lease commencement date, the company confirms finance lease receivables for finance lease and derecognizes the financial leasing assets.

In the case of initial measurement of the receivable financing lease payment, the entry value of the receivable financing lease payment shall be the sum of the present value of the unguaranteed residual value and lease payment amount not received as of the commencing date of lease discounted at the interest rate implicit in lease. Lease collection includes:

- 1) Fixed payment amount and actual fixed payment amount after deducting the amount relating to the lease incentive;
- 2) Variable lease payment dependent on the index or ratio;
- 3) In the case where it is reasonably confirmed that the lessee will execute the call option, the lease receipt amount includes the exercise price of the call option;
- 4) It is reflected during the lease term that when lessee will execute termination of the lease option, the lease collection amount includes the fund that needs to be paid for executing termination of the lease option;
- 5) The guaranteed residual value provided for the lessor by the lessee, one party relating to the lessee and an independent third party that is economically capable of performing the guarantee obligation.

The Company calculates and confirms the interest income of each period within the lease term at the fixed interest rate implicit in lease, and the variable lease payment amount actually incurred and not included into the measurement of the net investment in the lease shall be included into the current profits and losses.

(3) Accounting treatment of operating leases

The Company recognizes the lease receipt amount of operating lease as the rent income with the straight-line method or other systematic reasonable methods within each period of the lease term; the incurred initial direct costs relating to operating lease are capitalized, amortized on the same basis as the recognition of rent income within the lease term, and included into the current profits and losses by installment. Variable lease payments related to leases that are excluded in lease receipts are included in the current profits and losses when they are actually incurred.

5. Sale and leaseback transaction

Where any asset transfer in sale and leaseback transactions falls into the range of sales, the Company, as a lessee, will measure the right-to-use assets formed by sale and leaseback and recognize profit or loss only related to the right transferred to the lessor according to the part in the original asset book value relating to right-to-use assets gained by leaseback. If the fair value of the sales consideration is different from that of the asset, or the lessor does not collect the rent at the market price, the Company carries out accounting handling of funds lower than the market price as the prepaid rent and carries out accounting handling of funds higher than the market

price as additional financing provided by the lessor for the lessee; and adjusts relevant sales profits or losses based on the fair value.

Where any asset transfer in sale and leaseback transactions does not fall into the range of sales, the Company will continue to recognize the transferred asset and a financial liabilities equivalent to the transfer income.

If assets in sale and leaseback transactions are transferred in the form of sale, the Company carries out corresponding accounting treatment according to asset purchase and carries out accounting treatment of asset lease based on the lease standard. If the fair value of the sales consideration is different from that of the asset, or the Company does not collect the rent at the market price, the Company carries out accounting handling of funds lower than the market price as the advance rent and carries out accounting handling of funds higher than the market price as additional financing provided by the Company for the lessee; the rent income is adjusted based on the market price.

If assets in sale and leaseback transactions are not transferred in the form of sale, the Company recognizes one financial asset equivalent to the transfer income.

(XXXX) Termination of business

If the Company meets one of the following conditions and the constituent part has been disposed or classified into the held-for-sale category, the constituent part that can be separately distinguished shall be recognized as the constituent part of the discontinued operation:

- (1) Such constituent part represents an independent main business or a main separate operation region.
- (2) Such constituent part is the part of a relevant plan proposed to dispose an independent main business or an independent main business region;
- (3) Such constituent part is a subsidiary obtained specially for resale.

The impairment loss and return amount of the discontinued operation and other operating profits and losses, disposal profits and losses shall be listed as the discontinued operation profits and losses in the profit statement.

(XLI) Significant changes in accounting policies and accounting estimates

1. Change in accounting policies

Contents and reasons for changes in accounting policies	Remark
The Company started to execute on January 1, 2021 the <i>Accounting Standard for Business Enterprises No. 21 - Leases</i> revised by the Ministry of Finance in 2018.	
The Company started to execute on February 2, 2021 <i>Interpretation to Accounting Standards for Enterprises No. 14</i> released by the Ministry of Finance in 2021	
The Company started to execute on December 31, 2021 <i>Interpretation to Accounting Standards for Enterprises No. 15</i> released by the Ministry of Finance in 2021	
The Company started to execute on January 1, 2021 the <i>Accounting Standard for Business Enterprises No. 14 - Income</i> revised by the Ministry of Finance in 2017.	

Contents and reasons for changes in accounting policies	Remark
From January 1, 2021, the Company shall implement the <i>Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments</i> , <i>Accounting Standards for Business Enterprises No.23 - Transfer of Financial Assets</i> , <i>Accounting Standards for Business Enterprises No.24 - Hedge Accounting</i> , and <i>Accounting Standards for Business Enterprises No.37 - Financial Instrument Presentation</i> modified by the Ministry of Finance in 2017 (hereinafter referred to as "New Financial Instrument Standards")	

Descriptions for accounting policy change:

(1) Effect of execution of the new lease standard on the Company

The Company started to execute on January 1, 2021 the *Accounting Standard for Business Enterprises No. 21 - Leases* revised by the Ministry of Finance in 2018. Details about accounting policies after the alteration are shown in Note IV.

On the date of the first execution, the Company chose not to reevaluate whether the existing contracts were a lease contract or contained lease, and applied this method in all the contracts. So, the Company only applied the engagement provision of this standard to the above contracts that are recognized as a lease contract under the original lease standard.

In addition, the Company chose to carry out engagement accounting treatment of the above lease contracts with the simplified retroactive adjustment approach according to the provisions of *Accounting Standards for Enterprises No. 28 - Changes in Accounting Policies and Estimates and Corrections of Errors*, that is, the Company adjusted the retained earnings at the beginning of the current year when the standard was executed for the first time and the amount of other relevant items in the financial statements, did not adjust the information during the comparable period, and carried out relevant simplified treatment of each operating lease with the right-to-use assets measurement method.

The Company derecognizes the right-to-use assets or lease liabilities of low-value asset lease. According to the engagement provision of the new lease standard, the Company started to carry out on the date of the first execution the accounting treatment of the low-value asset lease before the date of the first execution in accordance with the new lease standard and did not carry out retroactive adjustment of low-value asset lease.

The implementation of the new lease standards on the financial statements on January 1, 2021 is no impact.

(2) Effects of the execution of the *Interpretation to Accounting Standards for Enterprises No.14* on the Company

On February 2, 2021, the Ministry of Finance released the *Interpretation to Accounting Standards for Enterprises No.14* (CK [2021] No.1, hereinafter referred to as "Interpretation No.14") that was enforced on February 2, 2021 (hereinafter referred to as the "enforcement date").

The Company started to execute the Interpretation No.14 on the enforcement date. The Interpretation No.14 has not had significant effects on the financial statements within the reporting period.

(3) Effects of the execution of the *Interpretation to Accounting Standards for Enterprises No.15* on the Company

On December 31, 2021, the Ministry of Finance released *Interpretation to Accounting Standards for Enterprises No.15* (CK [2021] No.35, hereinafter referred to as "Interpretation No.15") that was enforced on the date of release. Interpretation No.15 normalizes reporting of capital of the parent company and member units under centralized and unified management via the internal settlement center, finance company, etc.

The Company started to execute Interpretation No.15 on December 31, 2021. The Interpretation No. 15 has not had significant effects on financial statements during the comparable period.

(4) Effect of execution of the new income standard on the Company

The Company started to execute on January 1, 2021 the *Accounting Standard for Business Enterprises No. 14 - Income* revised by the Ministry of Finance in 2017. Details about accounting policies after the alteration are shown in Note IV. According to the engagement provision of the new income standard, for the cumulative impacts of execution of this standard, the retained earnings at the beginning of the current period of the first execution (January 1, 2021) are adjusted, and the information during the comparable period is not adjusted.

When implementing the new income standards, the Company only adjusts the cumulative impact of contracts that have not yet been completed on the first implementation date. The Company did not carry out retroactive adjustment of the contract alteration that occurred before the beginning of the earliest comparable period or before the beginning of 2021, but recognized performed and non-performed performance obligation, determined the trading price and amortized the trading price between the performed and non-performed performance obligation according to the final arrangement of contract alteration.

The impact of the implementation of the new income standards on the related items of the balance sheet at the beginning of the year is listed below:

Item	December 31, 2020	Cumulative impact amount			January 1, 2021
		Reclassification	Re-measurement	Subtotal	
Advance receipt	66,018,143.71	-66,018,143.71		-66,018,143.71	
Contract liabilities		58,423,136.03		58,423,136.03	58,423,136.03
Other current liabilities		7,595,007.68		7,595,007.68	7,595,007.68
Total liabilities	66,018,143.71				66,018,143.71

(5) The impact of new rules for financial instruments on the company

From January 1, 2021, the Company shall implement the *Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments*, *Accounting Standards for Business Enterprises No.23 - Transfer of Financial Assets*, *Accounting Standards for Business Enterprises No.24 - Hedge Accounting*, and *Accounting Standards for Business Enterprises No.37 - Financial Instrument Presentation* modified by the Ministry of Finance in 2017 (hereinafter referred the above four items to as "New Financial Instrument Standards"). Details about accounting policies after the alteration are shown in Note IV.

If the recognition and measurement of financial instruments before January 1, 2021 are inconsistent with the requirements of the New Financial Instrument Standards, the Company will make adjustments in accordance with the requirements of the New Financial Instrument Standards. Where the data of the comparative financial statements at the early stage are inconsistent with the requirements of the new financial instrument standard, the Company did not adjust the information during the comparable period. The difference between the original book value and the new book value on the enforcement date of the New Financial Instrument Standards, of the financial instruments must be included in the retained earnings or other comprehensive incomes as of January 1, 2021.

Impacts of execution of the new financial instrument standard on relevant items of the balance sheet at the beginning of this period are shown as follows:

Items of Consolidated Balance Sheet

Item	December 31, 2020	Cumulative impact amount			January 1, 2021
		Classification and measuring impacts	Financial assets Impairment impacts	Subtotal	
Notes receivable	219,750,000.00	-218,700,000.00			1,050,000.00
Receivable financing		218,700,000.00			218,700,000.00
Other payables	1,822,924,394.82	-150,623,363.10			1,672,301,031.72
Non-current liabilities due within one year	10,293,838,229.43	150,623,363.10			10,444,461,592.53
Available-for-sale financial assets	1,601,651,008.12	-1,601,651,008.12		-1,601,651,008.12	
Other non-current financial assets		1,601,651,008.12		1,601,651,008.12	1,601,651,008.12

Items of Balance Sheet of the Parent Company

Item	December 31, 2020	Cumulative impact amount			January 1, 2021
		Classification and measuring impacts	Financial assets Impairment impacts	Subtotal	
Other payables	5,430,523,515.68	-150,623,363.10			5,279,900,152.58

Item	December 31, 2020	Cumulative impact amount			January 1, 2021
		Classification and measuring impacts	Financial assets Impairment impacts	Subtotal	
Non-current liabilities due within one year	7,983,593,427.74	150,623,363.10			8,134,216,790.84
Available-for-sale financial assets	1,103,551,008.12	-1,103,551,008.12		-1,103,551,008.12	
Other non-current financial assets		1,103,551,008.12		1,103,551,008.12	1,103,551,008.12

2. Changes in accounting estimates

The main accounting estimates in this reporting period have no changes.

V. Tax

(I) Main tax categories and tax rate of Company

Tax category	Taxation basis	Tax rate
Value added tax	Sales volume	1. As for assessable income, calculate the output tax as per the tax rate of 13% and 9%, and calculate and pay the VAT as per the balance after deducting deductible input tax of the current period. 2. Tax shall be calculated and paid with the simple levying method (5% or 3% of the sales amount).
Urban maintenance and construction tax	Turnover tax amount payable	7%
Education surcharge	Turnover tax amount payable	3%
Local education surcharges	Turnover tax amount payable	2%
Enterprise income tax	Taxable income	25%

VI. Notes to main items of consolidated financial statement

(Unless otherwise specified, following monetary unit is RMB)

Note 1 Monetary fund

Item	Ending balance	Beginning balance
Cash on hand	455.33	545.33
Bank deposits	256,257,521.22	2,208,459,337.59
Other monetary funds	3,699,231,064.48	2,003,001,300.00
Total	3,955,489,041.03	4,211,461,182.92
Wherein: The total amount of payments deposited overseas		

Up to December 31, 2021, the company had involved no pledged and freezing funds or the funds with potential withdrawal risks.

Details of the restricted monetary funds are as follows:

Item	Ending balance	Beginning balance
Deposit of bankers' acceptance bill	1,019,439,337.69	230,000,000.00
Borrowing deposit pledge	2,225,081,726.79	1,181,123,300.00
Borrowing margin deposit	454,700,000.00	587,168,000.00
Other deposits	10,000.00	4,710,000.00
Total	3,699,231,064.48	2,003,001,300.00

Note 2. Notes receivable

1. Classification of notes receivable

Item	Ending balance	Beginning balance
Bank acceptance bill	100,559,000.00	1,050,000.00
Commercial acceptance bill		
Total	100,559,000.00	1,050,000.00

2. List in categories of expected credit loss of notes receivable

Type	Ending balance				
	Book balance		Bad debt reserves		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Notes receivable with expected credit loss calculated and withdrawn separately					
Notes receivable with expected credit loss calculated and withdrawn in the form of portfolio	100,559,000.00	100.00			100,559,000.00
Wherein: Portfolio 1	100,559,000.00	100.00			100,559,000.00
Portfolio 2					
Total	100,559,000.00	100.00			100,559,000.00

Continued:

Type	Beginning balance				
	Book balance		Bad debt reserves		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Notes receivable with expected credit loss calculated and withdrawn separately					
Notes receivable with expected credit loss calculated and withdrawn in the form of portfolio	1,050,000.00	100.00			1,050,000.00

Type	Beginning balance				
	Book balance		Bad debt reserves		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Wherein: Portfolio 1	1,050,000.00	100.00			
Portfolio 2					
Total	1,050,000.00	100.00			1,050,000.00

3. Notes receivables that the Company has pledged at the end of the period

N/A.

4. Notes receivable that have been endowed or discounted and not due on balance sheet date at the end of the period

Item	Derecognition amount at the end of the period	Non-derecognition amount at the end of the period
Bank acceptance bill	350,000,000.00	
Commercial acceptance bill		
Total	350,000,000.00	

Note 3. Accounts receivable

1. Classification disclosure of accounts receivable

Type	Ending balance				
	Book balance		Bad debt reserves		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with expected credit loss calculated and withdrawn separately					
Accrue the accounts receivable with expected credit losses according to the combination	556,828,937.86	100.00	10,623,343.62	1.91	546,205,594.24
Wherein: Portfolio of account age	68,705,045.30	12.34	10,623,343.62	15.46	58,081,701.68
Riskless portfolio	488,123,892.56	87.66			488,123,892.56
Total	556,828,937.86	100.00	10,623,343.62	1.91	546,205,594.24

Continued:

Type	Beginning balance				
	Book balance		Bad debt reserves		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	

Type	Beginning balance				
	Book balance		Bad debt reserves		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with significant single amount and separately withdrawn bad debt reserve					
Accounts receivable for which the bad debt reserves withdrawn based on credit risk characteristic portfolio	40,161,759.33	100.00	8,138,472.77	20.26	32,023,286.56
Wherein: Portfolio of account age	37,019,341.80	92.18	8,138,472.77	21.98	28,880,869.03
Riskless portfolio	3,142,417.53	7.82			3,142,417.53
Total	40,161,759.33	100.00	8,138,472.77	20.26	32,023,286.56

2. Preparation of the withdrawn, recovered or withheld bad-debt provisions of the current period:

The amount withdrawing bad debt reserve during the current period is RMB 2,484,870.85.

3. The top five accounts receivable as per the ending balance collected by the debtor in the current period

Company name	Ending balance	Proportion in ending balance of accounts receivable (%)	Withdrawal of bad debt reserves
Management Committee of Taizhou Economic Development Zone	438,954,648.74	78.83	
China Construction Machinery Co., Ltd.	31,714,294.78	5.70	
Jinchen Group Taizhou Construction Engineering Co., Ltd.	15,756,600.87	2.83	
Taizhou Caxiruo Entertainment Equipment Co., Ltd.	3,165,318.00	0.57	
Shanghai Chiniu Car Rental Co., Ltd.	2,972,842.45	0.53	
Total	492,563,704.84	88.46	

Note 4. Receivable financing

(1) Classification of receivable financing

Type	Ending balance	Beginning balance
Notes receivable	250,400,000.00	218,700,000.00
Wherein: Bank acceptance bill	250,400,000.00	218,700,000.00
Commercial acceptance bill		
Total	250,400,000.00	218,700,000.00

(2) During the reporting period, there was no receivable financing transferred to accounts receivable due to the drawer's inability to perform.

(3) There is no receivable financing actually written off within the reporting period.

Note 5. Advance payment

1. Advance payment is listed according to aging of accounts

Aging	Ending balance		Beginning balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (including 1 year)	62,530,227.16	19.60	182,278,374.79	22.57
1-2 years (including 2 years)	3,400,129.09	1.07	377,215,356.56	46.70
2-3 years (including 3 years)	102,282,435.69	32.06	130,170,152.97	16.11
> 3 years	150,859,450.07	47.28	118,137,514.98	14.62
Total	319,072,242.01	100.00	807,801,399.30	100.00

2. Prepayment condition of the first five of ending balance collected by the advance payment object.

Company name	Ending amount	Proportion (%) in total advance payment
Taizhou Finance Bureau	112,473,200.00	35.25
Land fee (2017)	48,313,057.00	15.14
Finance Bureau of Taizhou Medical Hi-tech Industry Development Zone	30,000,000.00	9.40
Taizhou Power Supply Branch of State Grid Jiangsu Electric Power Co., Ltd.	34,783,996.07	10.90
Jiangsu Antai Transmission and Transformation Engineering Co., Ltd. Taizhou Antai Branch	16,104,669.63	5.05
Total	241,674,922.70	75.74

1. Description of reasons of failure in timely settlement of advance payment with over one year of account age and important amount

Company name	Ending balance	Aging	Reason for failing to settle timely
Taizhou Finance Bureau	112,473,200.00	2-3 years, above 3 years	Land index payment, carried down after recognition in planning
Land fee (2017)	48,313,057.00	> 3 years	Carried down after planning of the Land Resources Bureau and the Planning Bureau
Total	160,786,257.00		

Notes 6. Other receivables

Item	Ending balance	Beginning balance
Interests receivable		
Dividends receivable		
Other receivables	17,573,754,976.13	17,102,167,915.76
Total	17,573,754,976.13	17,102,167,915.76

Note: Other receivables in the above table above refer to other receivables after deducting interests receivable and dividends receivable.

(I) Other receivables

1. Classification disclosure of other receivables

Type	Ending balance				
	Book balance		Bad debt reserves		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other receivables with expected credit loss calculated and withdrawn separately					
Accrue the other receivables with expected credit losses according to the combination	17,584,214,210.33	100.00	10,459,234.20	0.06	17,573,754,976.13
Wherein: Portfolio of account age	72,713,346.73	0.41	10,459,234.20	14.38	62,254,112.53
Riskless portfolio	17,511,500,863.60	99.59			17,511,500,863.60
Total	17,584,214,210.33	100.00	10,459,234.20	0.06	17,573,754,976.13

Continued:

Type	Beginning balance				
	Book balance		Bad debt reserves		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other receivables with significant single amount and separately withdrawn bad debt reserve					
Other receivables for which the bad debt reserves withdrawn based on credit risk characteristic portfolio	17,112,179,633.79	100.00	10,011,718.03	0.06	17,102,167,915.76
Wherein: Combination of account age analysis	27,674,238.65	0.16	10,011,718.03	36.18	17,662,520.62
Riskless portfolio	17,084,505,395.14	99.84			17,084,505,395.14
Total	17,112,179,633.79	100.00	10,011,718.03	0.06	17,102,167,915.76

2. Provision for bad debts of other receivables with the expected credit loss calculated and withdrawn in the form of portfolio

	Phase I	Phase II	Phase III	
Bad debt reserves	Expected credit loss in the next 12 months	Expected credit loss throughout the entire duration (credit impairment that has not occurred)	Expected credit loss throughout the entire duration (credit impairment that has occurred)	Total
Beginning balance	10,011,718.03			10,011,718.03
Beginning balance in the current period				
-Transfer to Phase II				
-Transfer to Phase III				
-Back to Phase II				
-Back to Phase I				
Withdrawal for the current period	447,516.17			447,516.17
Restitution of the current period				
Write-off of the current period				
Charge-off in the current period				
Other changes				
Ending balance	10,459,234.20			10,459,234.20

3. The situation of other receivables of the top five among the ending balance collected by the debtor

Company name	Nature of payment	Ending balance	Aging	Proportion in ending balance of other receivables (%)	Bad debt reserves Ending balance
Taizhou Port Development Co., Ltd.	Intercommodity funds	9,794,698,433.25	Within 1 year	55.70	
Management Committee of Taizhou Economic Development Zone	Intercommodity funds	3,583,555,637.40	Within 1 year, 1-2 years, 2-3 years	20.38	
Taizhou Mingda Infrastructure Co., Ltd.	Intercommodity funds	2,572,117,594.49	Within 1 year	14.63	
Management Committee of Taizhou Medical New & High-tech Industrial Development Zone	Intercommodity funds	300,000,000.00	1-2 years	1.71	
Taizhou Xinsheng Housebreaking Co., Ltd.	Intercommodity funds	228,971,141.88	> 3 years	1.30	
Total		16,479,342,807.02		93.72	

Note 7. Inventory

1. Classification of inventories

Item	Ending balance			Beginning balance		
	Book balance	Depreciation reserve	Book value	Book balance	Depreciation reserve	Book value
Finished products	751,188,447.88		751,188,447.88	737,171,444.18		737,171,444.18
Consumptive biological assets	11,509,322.60		11,509,322.60			
Low value consumables	126,475.89		126,475.89	248,740.52		248,740.52
Development cost	25,388,275,533.32		25,388,275,533.32	10,272,192,719.27		10,272,192,719.27
Land to be developed	1,288,101,995.10		1,288,101,995.10	1,658,188,695.10		1,658,188,695.10
Total	27,439,201,774.79		27,439,201,774.79	12,667,801,599.07		12,667,801,599.07

Note 8. Non-current assets due within one year

Item	Ending balance	Beginning balance
Long-term account receivables due within one year	194,018,374.91	196,566,090.95
Total	194,018,374.91	196,566,090.95

Note 9. Other current assets

Item	Ending balance	Beginning balance
Prepaid taxes	109,731,761.87	138,317,979.19
Entrusted loans		200,000,000.00
Total	109,731,761.87	338,317,979.19

Note 10. Long-term receivables

Item	Ending balance			Beginning balance		
	Book balance	Bad debt reserves	Book value	Book balance	Bad debt reserves	Book value
Management Committee of Taizhou Economic Development Zone	760,395,247.13		760,395,247.13	757,847,531.09		757,847,531.09
Total	760,395,247.13		760,395,247.13	757,847,531.09		757,847,531.09

Note 11. Long-term equity investment

Invested unit	Beginning balance	Increase/decrease changes in the current period

		Additional investment	Negative investment	Profits and losses on investment confirmed by equity method	Adjustments of other comprehensive incomes
I. Joint enterprises					
Subtotal					
II. Joint venture					
Taizhou Medical High Tech Zone Urban Reconstruction and Development Co., Ltd.	30,323,551.39			-10,115.74	
Jiangsu Xinrui New Energy Automobile Technology Co., Ltd.	81,010,515.09			-29,885,591.94	
Taizhou Shenhe Real Estate Development Co., Ltd.	48,000,000.00			-8,399,458.18	
Subtotal	159,334,066.48			-38,295,165.86	
Total	159,334,066.48			-38,295,165.86	

Continued:

Invested unit	Increase/decrease changes in the current period				Ending balance	Ending balance of impairment reserves
	Changes of other equities	Cash dividends or profits announced to issue	Withdrawn depreciation reserves	Other		
I. Joint enterprises						
Subtotal						
II. Joint venture						
Taizhou Medical High Tech Zone Urban Reconstruction and Development Co., Ltd.					30,313,435.65	
Jiangsu Xinrui New Energy Automobile Technology Co., Ltd.					51,124,923.15	
Taizhou Shenhe Real Estate Development Co., Ltd.					39,600,541.82	
Subtotal					121,038,900.62	
Total					121,038,900.62	

Note 12. Other non-current financial assets

Item	Ending balance	Beginning balance
Investment in debt instrument		
Investment equity instrument	1,499,075,890.77	1,461,588,408.12
Mixed tools		
Derivative financial instruments		
Other	142,019,500.00	140,062,600.00
Total	1,641,095,390.77	1,601,651,008.12

Note 13. Investment real estate

1. Conditions of investment real estate

Item	Houses and buildings	Land use rights	Total

Item	Houses and buildings	Land use rights	Total
I. Beginning balance	2,401,187,051.00	4,843,605,000.00	7,244,792,051.00
II. Changes in this term	1,459,353,649.00	602,050,000.00	2,061,403,649.00
1. Outsourcing increase			-
2. Transferred from inventories\fixed assets\ construction in progress	1,340,347,700.00	602,050,000.00	1,942,397,700.00
3. Business merger under the different control			
4. Shareholders' investment increase			
5. Translation balance of foreign currency statements			
6. Other causes increase			
7. Disposal decrease			
8. Disposal of subsidiaries			
9. Assets classified as being held for sale			
10. Reduction by other reasons			
11. Changes in fair value	119,005,949.00		119,005,949.00
III. Ending balance	3,860,540,700.00	5,445,655,000.00	9,306,195,700.00

Note 14. Fixed assets

Item	Ending balance	Beginning balance
Fixed assets	223,681,447.30	1,060,637,618.55
Liquidation of fixed assets		
Total	223,681,447.30	1,060,637,618.55

(I) Fixed assets

1. Information on fixed assets

Item	Houses and buildings	Office equipment	Transportation equipment	Electronic equipment	Other equipment	Total
I. Original book value						
1. Beginning balance	1,131,698,836.73	1,299,460.09	2,103,904.07	1,435,064.90	10,151,183.27	1,146,688,449.06
2. Increased amount of the current period	131,299,799.32	184,395.83	142,610.62	60,689.38	1,770,586.08	133,458,081.23
Procurement	131,299,799.32	184,395.83	142,610.62	60,689.38	1,770,586.08	133,458,081.23
Transfer-in of construction in process						

Item	Houses and buildings	Office equipment	Transportation equipment	Electronic equipment	Other equipment	Total
3. Decreased amount of the current period	1,010,180,455.90					1,010,180,455.90
Disposal or scrap						
Transfer from investment real estate	1,010,180,455.90					1,010,180,455.90
Financing leased-out						
4. Ending balance	252,818,180.15	1,483,855.92	2,246,514.69	1,495,754.28	11,921,769.35	269,966,074.39
II. Accumulated depreciation						
1. Beginning balance	78,559,164.07	859,142.05	1,543,847.70	914,135.60	4,174,541.09	86,050,830.51
2. Increased amount of the current period	25,435,917.16	288,778.88	152,708.10	215,974.90	1,161,321.69	27,254,700.73
Withdrawal for the current period	25,435,917.16	288,778.88	152,708.10	215,974.90	1,161,321.69	27,254,700.73
3. Decreased amount of the current period	67,020,904.15					67,020,904.15
Disposal or scrap						67,020,904.15
Transfer from investment real estate	67,020,904.15					
Disposal of subsidiaries						
4. Ending balance	36,974,177.08	1,147,920.93	1,696,555.80	1,130,110.50	5,335,862.78	46,284,627.09
III. Impairment reserve						
1. Beginning balance						
2. Increased amount of the current period						
Reclassification						
Withdrawal for the current period						
3. Decreased amount of the current period						
Disposal or scrap						
Other decreases						

Item	Houses and buildings	Office equipment	Transportation equipment	Electronic equipment	Other equipment	Total
4. Ending balance						
IV. Book value						
1. Book value at the end of the period	215,844,003.07	335,934.99	549,958.89	365,643.78	6,585,906.57	223,681,447.30
2. Book value at the beginning of the period	1,053,139,672.66	440,318.04	560,056.37	520,929.30	5,976,642.18	1,060,637,618.55

2. Fixed assets temporarily idle at the end of the period

N/A.

3. Fixed assets rented out through operating leasing

Item	Ending book value
Houses and buildings	48,413,536.14
Total	48,413,536.14

4. Fixed assets without the property certificate at the end of the period

Item	Book value	Reasons for the failure to complete the property ownership certificate
Houses and buildings	209,670,523.48	In progress
Total	209,670,523.48	

Note 15. Construction in progress

Item	Ending balance	Beginning balance
Construction in progress	322,603,675.98	14,215,397,833.78
Project materials		
Total	322,603,675.98	14,215,397,833.78

Note: Construction in process in the above table refers to constructions after deducting project materials.

(I) Projects under construction

1. Situation of construction in progress

Item	Ending balance			Beginning balance		
	Book balance	Impairment reserves	Book value	Book balance	Impairment reserves	Book value
Infrastructure construction project				13,902,853,775.31		13,902,853,775.31
Sewage treatment plant renovation and pipe network project	321,507,091.29		321,507,091.29	310,706,218.60		310,706,218.60

Item	Ending balance			Beginning balance		
	Book balance	Impairment reserves	Book value	Book balance	Impairment reserves	Book value
Transmission, sorting and screen comparison engineering				243,589.76		243,589.76
Taizhou International Auto City Commercial Complex	932,716.84		932,716.84	932,716.84		932,716.84
Decoration and renovation of office area (Tianhong Road)				497,665.42		497,665.42
Reclaimed water utilization project	163,867.85		163,867.85	163,867.85		163,867.85
Total	322,603,675.98		322,603,675.98	14,215,397,833.78		14,215,397,833.78

2. Change of major project in process in the current period

Project name	Beginning balance	Increase in current period	Transfer-in of the current period Stock	Other decrease in the current period	Ending balance
Infrastructure construction project	13,902,853,775.31	261,117,817.28		14,163,971,592.59	
Sewage treatment plant renovation and pipe network project	310,706,218.60	10,800,872.69			321,507,091.29
Transmission, sorting and screen comparison engineering	243,589.76			243,589.76	
Taizhou International Auto City Commercial Complex	932,716.84				932,716.84
Decoration and renovation of office area (Tianhong Road)	497,665.42	225,428.44		723,093.86	
Reclaimed water utilization project	163,867.85				163,867.85
Total	14,215,397,833.78	272,144,118.41		14,164,938,276.21	322,603,675.98

Note 16. Intangible assets

1. Information on intangible assets

Item	Land use rights	Land contract and management right	Software	Patent right	Total
I. Original book value					
1. Beginning balance	136,185,092.70	2,163,099,841.00	661,822.33		2,299,946,756.03

Item	Land use rights	Land contract and management right	Software	Patent right	Total
2. Increased amount of the current period			153,957.25	200,000.00	353,957.25
Procurement			153,957.25	200,000.00	353,957.25
Internal R&D					
Other causes increase					
3. Decreased amount of the current period	65,808,561.70				65,808,561.70
Disposal					
Reduction by other reasons	65,808,561.70				65,808,561.70
4. Ending balance	70,376,531.00	2,163,099,841.00	815,779.58	200,000.00	2,234,492,151.58
II. Accumulated amortization					
1. Beginning balance	8,994,604.49	118,737,559.57	214,631.72		127,946,795.78
2. Increased amount of the current period	1,811,857.94	33,541,897.08	73,372.16	3,887.41	35,431,014.59
Withdrawal for the current period	1,811,857.94	33,541,897.08	73,372.16	3,887.41	35,431,014.59
Business merger under the different control					
Other causes increase					
3. Decreased amount of the current period	4,292,148.28				4,292,148.28
Disposal					
Reduction by other reasons	4,292,148.28				4,292,148.28
4. Ending balance	6,514,314.15	152,279,456.65	288,003.88	3,887.41	159,085,662.09
III. Impairment reserve					
1. Beginning balance					
2. Increased amount of the current period					
Withdrawal for the current period					
Other causes increase					
3. Decreased amount of the current period					
Disposal of subsidiaries					
Reduction by other reasons					
4. Ending balance					
IV. Book value					
1. Book value at the end of the period	63,862,216.85	2,010,820,384.35	527,775.70	196,112.59	2,075,406,489.49
2. Book value at the beginning of the period	127,190,488.21	2,044,362,281.43	447,190.61		2,171,999,960.25

2. Right-to-use and right to contracted management of lands without acquiring the

property right certificate

None

Note 17. Goodwill

1. Original book value of business reputation

Name of the invested unit and matters generating goodwill	Beginning balance	Increase in current period	Decrease in current period	Ending balance
		Formed by enterprise merger	Disposal	
Jiangsu Jiasheng Construction Development Co., Ltd.	1,597,499.94			1,597,499.94
Tiazhou Xinyuan Logistics Co., Ltd.	98,863.21			98,863.21
Total	1,696,363.15			1,696,363.15

Note 18. Long-term unamortized expenses

Item	Beginning balance	Increase in current period	Amortized amount in the current period	Other decreases	Ending balance
Office decoration		723,093.86	120,515.60		602,578.26
Software service	248,825.20	283,018.86	75,515.61		456,328.45
Transformation of the external warehouse	1,983,933.41	-	252,269.28	-	1,731,664.13
Shipping space release engineering		22,935.78	5,733.99		17,201.79
Total	2,232,758.61	1,029,048.50	454,034.48	-	2,807,772.63

Note 19. The deferred income tax assets and the deferred income tax liabilities

1. Deferred income tax asset involving no offset

Item	Ending balance		Beginning balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Impairment reserves of assets	21,082,577.84	5,270,644.46	18,150,190.84	4,537,547.71
Total	21,082,577.84	5,270,644.46	18,150,190.84	4,537,547.71

2. Deferred income tax liability involving no offset

Item	Ending balance		Beginning balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Changes in fair value	3,141,359,836.20	785,339,959.05	2,380,761,597.80	595,190,399.45
Total	3,141,359,836.20	785,339,959.05	2,380,761,597.80	595,190,399.45

Note 20. Other non-current assets

Category and content	Ending balance	Beginning balance
Prepaid taxes	343,410,975.44	353,789,417.22
Total	343,410,975.44	353,789,417.22

Note 21. Short-term loan

1. Classification of short-term loans

Item	Ending balance	Beginning balance
Pledge borrowings	220,000,000.00	100,000,000.00
Guaranteed loan	1,836,288,632.00	1,320,000,000.00
Fiduciary borrowings	661,192,790.00	199,445,920.00
Bill discounted loan	220,000,000.00	50,000,000.00
Pledge + guarantee	499,950,000.00	
Total	3,437,431,422.00	1,669,445,920.00

Note 22. Notes payable

Item	Ending balance	Beginning balance
Bank acceptance bill	1,093,607,261.00	410,000,000.00
Commercial acceptance bill		1,000,000,000.00
Total	1,093,607,261.00	1,410,000,000.00

Note 23. Accounts payable

Aging	Ending balance	Beginning balance
Within 1 year (including 1 year)	57,348,658.92	662,491,626.64
1-2 years (including 2 years)	23,286,631.54	20,187,975.69
2-3 years (including 3 years)		1,436,621.39
> 3 years		2,973,633.26
Total	80,635,290.46	687,089,856.98

1. Accounts payable (Top 5)

Name of the creditor	Relationship with the Company	Ending balance	Nature or content	Proportion (%) in total accounts payable
China Jiangsu International Economic and Technical Cooperation Corp.	Non-related parties	13,474,539.00	Project funds	16.71
Jiangsu Antai Transmission and Transformation Engineering Co., Ltd.	Non-related parties	6,112,000.00	Project funds	7.58
Nantong Sijian Group Co., Ltd.	Non-related parties	3,435,550.21	Project funds	4.26
Taizhou Jinma Construction Engineering Co., Ltd.	Non-related parties	1,804,452.65	Project funds	2.24
Taizhou Chengguang Road Lighting Engineering Co., Ltd.	Non-related parties	1,660,131.65	Project funds	2.06

Name of the creditor	Relationship with the Company	Ending balance	Nature or content	Proportion (%) in total accounts payable
Total		26,486,673.51	Project funds	32.85

Note 24. Contract Liabilities

Item	Ending balance	Beginning balance
Advances on sales	113,616,937.78	58,423,136.03
Total	113,616,937.78	58,423,136.03

Note 25. Employee remuneration payable

1. Presentation of remunerations of staff and workers payable

Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance
Short-term remuneration	3,378,792.70	15,066,913.92	15,144,990.33	3,299,256.83
Welfare after demission - defined contribution plan	163,768.14	820,829.00	984,994.10	1,062.50
Total	3,542,560.84	15,887,742.92	15,965,819.33	3,300,319.33

2. Presentation of short-term remuneration

Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance
Salaries, bonuses, allowance and subsidies	3,326,076.15	12,088,746.91	12,645,500.66	2,769,322.40
Staff welfare expenses		1,163,220.56	633,537.23	529,683.33
Social insurance premiums	52,241.54	807,729.45	858,261.44	250.09
Wherein: Basic medical insurance premiums	18,841.97	794,964.81	812,097.30	250.02
Supplementary medical insurance				
Employment injury insurance premium	13,640.55	7,757.74	21,458.17	0.12
Birth insurance premium	19,759.02	5,006.90	24,705.97	-0.05
Housing provident funds	475.01	1,007,217.00	1,007,691.00	1.01
Labor union expenditure and employee education funds				
Total	3,378,792.70	15,066,913.92	15,144,990.33	3,299,256.83

3. Presentation of deposit/withdrawing plan

Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance
Basic endowment insurance	115,791.74	807,160.88	923,412.08	1,000.00
Unemployment insurance premium	47,976.40	13,668.12	61,582.02	62.50
Total	163,768.14	820,829.00	984,994.10	1,062.50

Note 26. Taxes payable

Tax item	Ending balance	Beginning balance
Value added tax	25,475,042.78	26,086,616.36
Enterprise income tax	109,748,304.24	92,381,602.38
Individual income tax	112,575.31	8,783.62
Urban maintenance and construction tax	1,669,545.09	1,560,185.35
Property tax	8,476,489.69	16,367,079.26
Land use tax	3,671,758.98	3,420,109.15
Stamp tax	125,813.48	190,312.40
Education surcharge	1,194,070.53	1,114,418.09
Other local funds	2,535.58	
Other	4,189.20	
Total	150,480,324.88	141,129,106.61

Note 27. Other payables

Item	Ending balance	Beginning balance
Interests payable		
Dividends payable		
Other payables	1,605,491,593.41	1,672,301,031.72
Total	1,605,491,593.41	1,672,301,031.72

Note: Other payable in the above table above refer to other payable after deducting interests payable and dividends payable.

(I) Other payables

1. Other payables listed based on the account age

Aging	Ending balance		Beginning balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	761,337,655.01	47.42	807,846,122.48	48.30
1-2 years	844,153,938.40	52.58	92,000,478.24	5.50
2-3 years			480,538,624.13	28.74
> 3 years			291,915,806.87	17.46
Total	1,605,491,593.41	100.00	1,672,301,031.72	100.00

Note 28. Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term loans due within one year	8,776,218,387.47	9,163,080,234.99
Bond payable due within one year	184,974,273.99	138,375,851.11

Item	Ending balance	Beginning balance
Long-term account payables due within one year	1,062,854,815.67	1,143,005,506.43
Total	10,024,047,477.13	10,444,461,592.53

Note 29. Other current liabilities

Item	Ending balance	Beginning balance
Short-term financing	2,350,000,000.00	1,000,000,000.00
Output tax to be written-off	14,766,787.08	7,595,007.68
Total	2,364,766,787.08	1,007,595,007.68

Note 30. Long-term loan

Type of loan	Ending balance	Beginning balance
Pledge borrowings	1,678,270,000.00	2,372,670,000.00
Mortgage borrowings	30,000,000.00	43,000,000.00
Guaranteed loan	10,621,307,200.00	12,543,615,000.00
Fiduciary borrowings	150,000,000.00	1,150,000,000.00
Mortgage + guarantee	1,266,610,000.00	
Guarantee + mortgage + pledge	229,000,000.00	
Total	13,975,187,200.00	16,109,285,000.00

Note 31. Bonds payable

1. Type of bond payable

Item	Ending balance	Beginning balance
16 Xintai Bond	400,000,000.00	600,000,000.00
2017 corporate bond		
19 Xintai 01 (corporate bond)	998,622,579.74	997,330,524.33
19 Xintai 02 (corporate bond)	399,490,678.56	398,917,966.70
19 Xintai 03 (corporate bond)	118,094,879.09	697,717,721.49
20 Xintai 01	598,343,413.36	597,964,994.18
20 Xintai 02	697,873,371.03	697,460,876.15
20 Taizhou Xintai PPN001	498,765,324.33	498,587,848.68
20 Xintai MTN001	498,470,597.90	498,509,981.85
21 Xintai MTN001	496,238,439.72	
21 Xintai 01	1,000,000,000.00	
21 Xintai 03	499,147,219.89	
21 Xintai 05	498,008,459.91	
21 Xin PPN001	500,000,000.00	

Item	Ending balance	Beginning balance
Dollar debt	513,371,226.80	515,612,902.29
Minus: Bond payable due within one year		
Total	7,716,426,190.33	5,502,102,815.67

2. Increase or decrease of bond payable

Name of bonds	Face value	Issuing date	Maturity of bonds	Issuance amount	Beginning balance
16 Xintai Bond	1,000,000,000.00	2016-3-23	7 years	1,000,000,000.00	600,000,000.00
2017 corporate bond					-
19 Xintai 01 (corporate bond)	1,000,000,000.00	2019-4-17	3 years	1,000,000,000.00	997,330,524.33
19 Xintai 02 (corporate bond)	400,000,000.00	2019-8-2	3 years	400,000,000.00	398,917,966.70
19 Xintai 03 (corporate bond)	700,000,000.00	2019-12-24	5 years	700,000,000.00	697,717,721.49
20 Xintai 01	600,000,000.00	2020-3-19	5 years	600,000,000.00	597,964,994.18
20 Xintai 02	700,000,000.00	2020-6-29	5 years	700,000,000.00	697,460,876.15
20 Taizhou Xintai PPN001	500,000,000.00	2020-8-26	3 years	500,000,000.00	498,587,848.68
20 Xintai MTN001	500,000,000.00	2020-8-17	3 years	500,000,000.00	498,509,981.85
21 Xintai MTN001	500,000,000.00	2021-2-9	3 years	500,000,000.00	
21 Xintai 01	1,000,000,000.00	2021-9-9	5 years	1,000,000,000.00	
21 Xintai 03	500,000,000.00	2021-11-3	5 years	500,000,000.00	
21 Xintai 05	500,000,000.00	2021-12-16	5 years	500,000,000.00	
21 Xin PPN001	500,000,000.00	2021-12-17	3 years	500,000,000.00	
Xintai dollar bond	558,096,000.00	2019-6-28	3 years	558,096,000.00	515,612,902.29
Total	8,958,096,000.00			8,958,096,000.00	5,502,102,815.67

Continued:

Name of bonds	Issue in the current period	Amortization of premium and discount	Repayment in the current period	Other decreases	Ending balance
16 Xintai Bond			200,000,000.00		400,000,000.00
19 Xintai 01 (corporate bond)	1,000,000,000.00	1,292,055.41	1,000,000,000.00		998,622,579.74
19 Xintai 02 (corporate bond)	370,000,000.00	572,711.86	370,000,000.00		399,490,678.56
19 Xintai 03 (corporate bond)		377,157.60	580,000,000.00		118,094,879.09
20 Xintai 01		378,419.18			598,343,413.36

Name of bonds	Issue in the current period	Amortization of premium and discount	Repayment in the current period	Other decreases	Ending balance
20 Xintai 02		412,494.88			697,873,371.03
20 Taizhou Xintai PPN001		177,475.65			498,765,324.33
20 Xintai MTN001		-39,383.95			498,470,597.90
21 Xintai MTN001	500,000,000.00	-3,761,560.28			496,238,439.72
21 Xintai 01	1,000,000,000.00	0.00			1,000,000,000.00
21 Xintai 03	500,000,000.00	-852,780.11			499,147,219.89
21 Xintai 05	500,000,000.00	-1,991,540.09			498,008,459.91
21 Xin PPN001	500,000,000.00				500,000,000.00
Xintai dollar bond		-2,241,675.49			513,371,226.80
Total	4,370,000,000.00	-5,676,625.34	2,150,000,000.00	0.00	7,716,426,190.33

Note 32. Long-term payable

Item	Ending balance	Beginning balance
Long-term payables	1,252,451,297.17	1,793,609,508.12
Special payables	4,751,748.77	4,751,748.77
Total	1,257,203,045.94	1,798,361,256.89

Note: Long-term payables in the above table refer to long-term payables after deducting special payables.

(I) Long-term payables

1. Classification of long-term payables

Nature of payment	Ending balance	Beginning balance
Finance lease payable	2,315,306,112.84	2,936,615,014.55
Minus: Long-term account payables due within one year	1,062,854,815.66	1,143,005,506.43
Total	1,252,451,297.18	1,793,609,508.12

(II) Classification of special payables

Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance
Support fund for entrepreneurial base in innovation park	267,720.51			267,720.51
Special capital for insurance expense of the human resources and social security bureau	30,953.34			30,953.34

Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance
Special funds of urban affordable housing project of central finance	3,733,074.92			3,733,074.92
Provincial guiding funds for construction of indemnificatory housing	720,000.00			720,000.00
Total	4,751,748.77			4,751,748.77

Note 33. Deferred income

Item	Ending balance	Beginning balance
Government subsidies related to assets	2,812,192.46	3,092,104.66
Total	2,812,192.46	3,092,104.66

Notes 34. Paid-up capital

Name of investor	Beginning balance	Increase in current period	Decrease in current period	Ending balance
Taizhou Municipal People's Government	10,050,725,604.00			10,050,725,604.00
Total	10,050,725,604.00			10,050,725,604.00

Note 35. Capital surplus

Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance
Capital premium (share capital premium)	7,611.37			7,611.37
Other capital reserves	7,245,946,072.75			7,245,946,072.75
Total	7,245,953,684.12			7,245,953,684.12

Note 36. Other comprehensive incomes

Item	Beginning balance	Accrual in the current period									Ending balance
		Accrual before income tax in the current period	Minus: Transfer to profit or loss in the period previously charged to other comprehensive incomes	Minus: Current financial assets transferred in and included in other comprehensive incomes and calculated at the amortized cost	Minus: Hedge reserves transferred to related assets or liabilities	Minus: Income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	Minus: Carry-forward Re-measure and set change amount of defined benefit plan changes	Minus: Transfer to retained earnings in the period previously charged to other comprehensive incomes	
I. Other comprehensive incomes that cannot be reclassified into profits and losses											
1. Re-measure and set change amount of defined benefit plan changes											
2. Other comprehensive incomes that cannot be transferred into the profits and losses under the equity method											
II. Other comprehensive incomes to be reclassified into profits and losses afterwards											
1. Other comprehensive incomes that can be transferred into the profits and losses under the equity											

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method											
2. Fair value changes of other creditors' right investment											
3. Amount of financial assets reclassified into other comprehensive incomes											
4. Credit impairment provision of other creditors' right investment											
5. Translation balance of foreign currency statements											
6. Other assets transferred to investment real estate measured by fair value mode	1,674,059,223.18	655,200,206.83				163800051.71	491,400,155.12				2,165,459,378.30
Total other comprehensive incomes	1,674,059,223.18	655,200,206.83				163800051.71	491,400,155.12				2,165,459,378.30

Note 37. Surplus reserves

Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance
Statutory surplus reserves	348,731,982.64	38,170,543.87		386,902,526.51
Total	348,731,982.64	38,170,543.87		386,902,526.51

Note 38. Undistributed profit

Item	Amount	Withdrawing or allocation proportion (%)
Undistributed profit at the end of last period before adjustment	2,673,508,546.63	
Total undistributed profit at the beginning of the adjustment period (increased +, reduced -)		
Undistributed profit at the beginning of the period after adjustment	2,673,508,546.63	
Plus: Net profit attributable to the owners of the parent company in the current period	350,084,966.06	
Minus: Withdrawal of statutory surplus reserves	38,170,543.87	10.00
Withdrawal of discretionary surplus reserves		
Withdrawal of reserve funds		
Withdrawal of enterprise development funds		
Profit capitalized on return of investment		
Withdraw workers award fund		
Withdrawal of general risk reserves		
Common stock dividends payable		
Common stock dividends transferred to capital stocks		
Dividend on preferred stock		
Dividend distribution to shareholders	204,613,862.52	
Profit capitalized on return of investment		
Other profit distribution		
Plus: Recovery of losses by surplus reserves		
Re-measure and set change amount of defined benefit plan changes		
Internal carry-over of other owner's equities		
Undistributed profits at the end of period	2,780,809,106.30	

Note 39. Operation income and cost

1. Operating incomes and operating costs

Item	Accrual in the current period		Accrual in the last period	
	Incomes	Cost	Incomes	Cost
Main business income	4,182,528,952.30	4,100,472,556.88	2,864,418,260.59	2,761,948,702.28
Other incomes	261,638,256.59	59,837,402.47	315,868,822.33	85,419,997.17
Total	4,444,167,208.89	4,160,309,959.35	3,180,287,082.92	2,847,368,699.45

2. Main operating incomes and costs

Item	Accrual in the current period		Accrual in the last period	
	Incomes	Cost	Incomes	Cost
Sales of indemnificatory housing	132,226,291.74	131,286,354.22	452,978,321.86	410,474,957.32
Entrusted construction	418,052,045.38	391,923,793.52	407,102,705.07	381,658,786.97
Sewage treatment			6,058,323.20	6,966,772.75
Automobile sales	905,169,926.76	894,695,999.37	1,516,442,697.23	1,489,484,642.32
Engineering construction	8,449,024.50	7,221,355.10	32,822,859.34	26,667,768.75
Bulk Trade	2,710,623,096.29	2,668,865,522.72	444,132,216.74	439,669,009.53
Warehousing service	8,008,567.63	6,479,531.95	4,881,137.15	7,026,764.64
Total	4,182,528,952.30	4,100,472,556.88	2,864,418,260.59	2,761,948,702.28

3. Other business income and cost

Item	Accrual in the current period		Accrual in the last period	
	Incomes	Cost	Incomes	Cost
Rental income	238,383,973.34	59,837,402.47	307,003,424.52	85,419,997.17
Interest incomes	23,254,283.25		8,865,397.81	
Total	261,638,256.59	59,837,402.47	315,868,822.33	85,419,997.17

Note 40. Tax and surtax

Item	Accrual in the current period	Accrual in the last period
Urban construction tax	2,334,337.57	4,578,208.52
Education surcharge	1,669,610.20	3,270,177.29
Property tax	30,122,965.14	36,216,425.95
Land use tax	8,401,523.60	8,211,332.63
Vehicle and vessel taxes	52.00	
Stamp tax	1,743,393.97	629,097.20
Business tax	2,734,198.67	26,785,867.65
Other funds		477.00

Item	Accrual in the current period	Accrual in the last period
Total	47,006,081.15	79,691,586.24

Note 41. Selling expenses

Item	Accrual in the current period	Accrual in the last period
Salary	919,829.34	736,249.81
Welfare funds	14,620.00	15,600.00
Social insurance premiums	129,295.02	84,861.77
Housing provident funds	61,902.00	37,502.00
Labor services fees	97,208.56	62,809.32
Depreciation fees	5,576.78	8,914.02
Office expenses	23,603.54	9,191.00
Business entertainment expenses	5,511.00	22,773.80
Travel fees	59,685.54	16,144.04
Total	1,317,231.78	994,045.76

Note 42. Administration expenses

Item	Accrual in the current period	Accrual in the last period
Salary	8,458,614.80	9,414,207.07
Welfare funds	830,702.92	116,167.56
Social insurance premiums	685,950.01	152,544.54
Housing provident funds	419,619.00	433,382.29
Labor union funds	71,509.30	5,714.73
Employee education funds	15,530.00	3,400.00
Labor services fees		12,305.29
Office expenses		802,644.18
Depreciation fees	10,688,892.37	5,034,544.25
Business entertainment expenses	240,679.93	242,100.69
Travel fees	202,206.14	173,550.99
Repair expenses	12,970.63	35,757.73
Insurance expenses	87,558.82	45,330.14
Consultation expenses	2,113,493.50	8,780,788.83
Audit fees	2,153,305.83	225,418.46
Training fees	31,175.07	41,394.45
Automobile expenses	39,223.30	49,661.19
Amortization of intangible assets	35,431,014.59	35,198,284.52
Software service fee		3,369.35

Item	Accrual in the current period	Accrual in the last period
Amortization of long-term unamortized expenses		436,691.91
Other	2,075,490.04	6,006,421.57
Total	63,557,936.25	67,213,679.74

Note 43. Financial expenses

Item	Accrual in the current period	Accrual in the last period
Interest expenditures	134,020,740.32	64,908,510.93
Minus: Interest incomes	34,266,011.36	8,403,396.78
Exchange profit or loss	-11,463,409.82	903,408.37
Bank charges	961,182.60	4,039,800.98
Other	3,680,201.37	
Total	92,932,703.11	61,448,323.50

Note 44. Other income

1. Details of other incomes

Source of other incomes	Accrual in the current period	Accrual in the last period
Government subsidies	297,286,386.88	278,561,516.07
Total	297,286,386.88	278,561,516.07

2. The government subsidy included in the other incomes

Item	Accrual in the current period	Accrual in the last period	Related to assets / Income-related
Business subsidies	297,286,386.88	278,561,516.07	Income-related
Total	297,286,386.88	278,561,516.07	

Note 45. Investment income

1. Details of investment incomes

Item	Accrual in the current period	Accrual in the last period
Long-term equity investment income calculated by the equity method	-38,295,165.86	-42,664,160.23
Cash dividends received	426,259.20	3,311,555.86
Total	-37,868,906.66	-39,352,604.37

Note 46. Income from changes of fair value

Source of incomes from changes in fair value	Accrual in the current period	Accrual in the last period
Investment real estate calculated by fair value	119,005,949.00	63,002,000.00
Total	119,005,949.00	63,002,000.00

Note 47. Credit Impairment Loss

Item	Accrual in the current period	Accrual in the last period
Bad debt loss	-2,932,387.01	
Total	-2,932,387.01	

Note 48. Loss from asset impairment

Item	Accrual in the current period	Accrual in the last period
Bad debt loss		5,736,727.54
Total		5,736,727.54

Note 49. Non-business income

Item	Accrual in the current period	Accrual in the last period	Amount included in non-recurring profits and losses in the current period
Contract liquidated damage received	240,000.00		240,000.00
Deposit and other intercourse funds that do not need to be returned	5,217,922.65		5,217,922.65
Other	10,000.93	65,876.28	10,000.93
Total	5,467,923.58	65,876.28	5,467,923.58

Note 50. Non-operating expenditure

Item	Accrual in the current period	Accrual in the last period	Amount included in non-recurring profits and losses in the current period
Overdue fines	421,202.78	45,514.80	421,202.78
Other	2,580,362.56	75,276.23	2,580,362.56
Scrapping of fixed assets		372,936.27	
Penalty	250,238.65	400.00	250,238.65
Public welfare donations outlay	83,200.00	809,692.00	83,200.00
Total	3,335,003.99	1,303,819.30	3,335,003.99

Note 51. Income tax expense

Item	Accrual in the current period	Accrual in the last period
Current income tax expenses	71,833,949.61	57,241,123.95
Deferred income tax expenses	31,090,061.14	19,215,292.48
Total	102,924,010.75	76,456,416.43

Note 52. Footnotes to cash flow statements

1. Other cash received relating to operating activities

Item	Accrual in the current period	Accrual in the last period
Interest incomes	34,266,011.36	8,358,214.71
Government subsidies	297,278,461.90	278,561,516.07
Intercourse funds and others	4,983,547,287.83	7,342,412,207.14
Total	5,315,091,761.09	7,629,331,937.92

2. Other cash paid relating to operating activities

Item	Accrual in the current period	Accrual in the last period
Management expense and sales expense paid	5,847,959.18	10,573,980.91
Financial expenses paid	961,182.60	4,039,800.98
Non-operating expenses paid	3,335,003.99	1,303,819.30
Intercourse funds and others	3,782,362,970.84	8,521,010,211.99
Total	3,792,507,116.61	8,536,927,813.18

Note 15. Supplementary information to cash flow statement

1. Supplementary information to cash flow statement

Item	Amount of the current period	Amount of the last period
1. Net profits made into the cash flow in operating activities		
Net profits	353,743,248.30	353,824,028.02
Plus: Impairment reserves of assets		-5,736,727.54
Credit impairment provision	2,932,387.01	
Depreciation of fixed assets, oil and gas assets, and productive biological assets	27,254,700.73	27,014,535.60
Amortization of intangible assets	35,431,014.59	35,550,119.28
Amortization of long-term unamortized expenses	454,034.48	1,482,875.47
Loss from disposal of fixed assets, intangible assets and other long-term assets (income is expressed with "-")		372,936.27
Loss on retirement of fixed assets (income is expressed with "-")		
Losses on changes in fair value (income is expressed with "-")	-119,005,949.00	-63,002,000.00
Financial expenses (income is expressed with "-")	134,020,740.32	65,811,919.30
Investment losses (income is expressed with "-")	-37,868,906.66	39,352,604.37
Decrease in deferred income tax assets (increase is expressed with "-")	-733,096.75	1,434,181.88
Increase of deferred income tax liabilities (decrease is expressed with "-")	190,149,559.60	81,012,012.42
Decrease in inventories (increase is expressed with "-")	-15,537,905,611.96	-5,987,115,023.03
Decrease in operating receivables (increase is expressed with "-")	3,615,097,485.09	-753,234,587.49
Increase in operating payables (decrease is expressed with "-")	11,770,860,935.78	6,494,379,370.08

Item	Amount of the current period	Amount of the last period
Other		
Net cash flow from operating activities	244,280,981.93	291,146,244.63
2. Significant investment and financing activities not involved with a cash deposit and withdrawal		
Capital converted from debts		
Convertible corporate bonds due within one year		
Fixed assets under financing lease		
3. Net change situation of cash and cash equivalents		
Ending balance of cash	256,257,976.55	2,208,459,882.92
Minus: Beginning balance of cash	2,208,459,882.92	4,252,469,457.02
Plus: Ending balance of cash equivalents		
Minus: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-1,952,201,906.37	-2,044,009,574.10

2. Constitution of cash and cash equivalents

Item	Ending balance	Beginning balance
I. Cash	256,257,976.55	2,208,459,882.92
Wherein: Cash on hand	455.33	545.33
Bank deposit that can be used for payment at any time	256,257,521.22	2,208,459,337.59
Other monetary funds available for payment at any time		
Deposit in the Central Bank that can be used for payment		
II. Cash equivalents		
Wherein: Bond investment due within three months		
III. Balance of cash and cash equivalents at the ending of the period	256,257,976.55	2,208,459,882.92

Note 16. Assets whose ownership or right of use are limited

Item	Balance	Reasons for limitation
Monetary fund	3,699,231,064.48	Bank acceptance bill, borrowing margin and pledge of deposit receipt
Inventory - land	321,908,863.65	Loan mortgage
Investment properties	2,231,682,200.00	Loan mortgage
Total	6,252,822,128.13	

VII. Equity in other entities

(I) Equity in subsidiaries

1. Constitution of the enterprise group

Subsidiary name	Main business place	Registration place	Shareholding ratio (%)		Acquisition method
			Direct	Indirect	
Taizhou Xintai Construction Development Co., Ltd.	Taizhou	Taizhou	99.41		Establishment of investment
Taizhou No.2 Chengnan Sewage Treatment Co., Ltd.	Taizhou	Taizhou	98.9552		Establishment of investment
Taizhou New Area New Rural Construction Investment Development Co., Ltd.	Taizhou	Taizhou	100.00		Establishment of investment
Jiangsu Huaxuan Electronic Commerce Co., Ltd.	Taizhou	Taizhou	100.00		Purchase
Taizhou Auto City Co., Ltd.	Taizhou	Taizhou	100.00		Purchase
Jiangsu Xinrongyuan Supply Chain Management Co., Ltd.	Taizhou	Taizhou		40.00	Establishment of investment
Jiangsu Jiasheng Construction Development Co., Ltd.	Taizhou	Taizhou	51.00		Purchase
Taizhou Xinyuan Logistics Co., Ltd.	Taizhou	Taizhou	51.00		Purchase
Taizhou Xinrun Gardening Co., Ltd.	Taizhou	Taizhou	100.00		Purchase
Hong Kong Xin Fu Co., Limited	Hong Kong	Hong Kong	100.00		Establishment of investment
Taizhou Xingang New Material Technology Co., Ltd.	Taizhou	Taizhou		100.00	Establishment of investment
Xin Fu (BVI) Co., Ltd.	British Virgin Islands	British Virgin Islands		100.00	Establishment of investment
Taizhou Xinquan Environmental Protection Engineering Co., Ltd.	Taizhou	Taizhou		70.00	Establishment of investment
Taizhou Xinyize Construction Development Co., Ltd.	Taizhou	Taizhou		100.00	Establishment of investment
Taizhou Xinzhiheng Commerce and Trade Co., Ltd.	Taizhou	Taizhou		51.00	Establishment of investment

Note: Other shareholders of Jiangsu Xinrongyuan Supply Chain Management Co., Ltd. include Taizhou Gaode Management Consulting Co., Ltd., with shares accounting for 30%; Suzhou Yuantang Management Consulting Partnership (limited Partnership), with shares accounting for 30%. Wholly-owned subsidiary of Xintai Group - Jiangsu Huaxuan Electronic Commerce Co., Ltd. holds 40% equities of Jiangsu Xinrongyuan Supply Chain Management Co., Ltd.

(II) Equity in joint operation arrangement or joint ventures

1. Important cooperative enterprise or joint venture

Names of cooperative enterprise or joint venture	Main business place	Registration place	Business Nature	Shareholding ratio (%)		Accounting treatment method
				Direct	Indirect	
Taizhou Medical High Tech Zone Urban Reconstruction and Development Co., Ltd.	Taizhou	Taizhou		30.00		Purchase
Jiangsu Xinrui New Energy Automobile Technology Co., Ltd.	Taizhou	Taizhou		51.00		Purchase
Taizhou Shenhe Real Estate Development Co., Ltd.	Taizhou	Taizhou		48.00		Establishment of investment

Note: The Company holds 51% equities of Jiangsu Xinrui New Energy Automobile Technology Co., Ltd. and does not dominate its major decisions on business operation and does not have the right of control over it.

VIII. Related parties and related transactions

(I) Overview of the Company's parent company and the final controlling party

The Company's final controlling party is Taizhou Municipal People's Government that holds 100.00% of the Company's equities.

(II) The subsidiary of the Company is shown in Note VII (I) equity of the subsidiary

(III) Conditions of the company's joint venture and associated enterprise

Important cooperative enterprises or joint ventures of the Company are detailed in Note VII (II) Equity of joint arrangement or associated enterprises.

(IV) Situation of other related parties

Names of other related parties	Other affiliated parties' relationship with the Company
Taizhou Port Development Co., Ltd.	Shareholder of Taizhou No.2 Chengnan Sewage Treatment Co., Ltd.
Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	The same holding shareholder
Taizhou City Construction Investment Group Co., Ltd.	The same holding shareholder

(V) Transaction of related parties

1. The mutual transaction among the subsidiary companies that have controlling relationship and are incorporated into the range of the consolidated financial statements of the Company and the transaction of the parent company have been offset.

2. Related guarantee

As of December 31, 2021, the breakdowns of the guarantee between the Company and its affiliated companies are as follows:

Name of the guarantee unit	Name of the guaranteed unit	Guarantee balance (unit: RMB 0,000)	Start date	Maturity date

Name of the guarantee unit	Name of the guaranteed unit	Guarantee balance (unit: RMB 0,000)	Start date	Maturity date
Taizhou Xintai Group Co., Ltd.	Taizhou No.2 Chengnan Sewage Treatment Co., Ltd.	4,300.00	2017-1-4	2024-12-20
Taizhou Xintai Group Co., Ltd.	Taizhou No.2 Chengnan Sewage Treatment Co., Ltd.	3,329.08	2018-2-1	2023-2-1
Taizhou Xintai Group Co., Ltd.	Taizhou No.2 Chengnan Sewage Treatment Co., Ltd.	7,494.68	2018-5-31	2023-5-31
Taizhou Xintai Group Co., Ltd.	Taizhou No.2 Chengnan Sewage Treatment Co., Ltd.	964.75	2018-6-27	2023-6-26
Taizhou Xintai Group Co., Ltd.	Taizhou No.2 Chengnan Sewage Treatment Co., Ltd.	2,688.23	2018-6-27	2023-5-20
Taizhou Xintai Group Co., Ltd.	Taizhou No.2 Chengnan Sewage Treatment Co., Ltd.	4,436.19	2018-12-24	2023-12-24
Taizhou Xintai Group Co., Ltd.	Taizhou No.2 Chengnan Sewage Treatment Co., Ltd.	1,000.00	2018-12-25	2022-12-15
Taizhou Xintai Group Co., Ltd.	Taizhou No.2 Chengnan Sewage Treatment Co., Ltd.	1,000.00	2019-1-4	2023-1-4
Taizhou Xintai Group Co., Ltd.	Taizhou No.2 Chengnan Sewage Treatment Co., Ltd.	2,157.49	2019-1-17	2024-1-16
Taizhou Xintai Group Co., Ltd.	Taizhou No.2 Chengnan Sewage Treatment Co., Ltd.	4,422.42	2019-1-25	2024-1-25
Taizhou Xintai Group Co., Ltd.	Taizhou No.2 Chengnan Sewage Treatment Co., Ltd.	15,969.00	2021-5-21	2023-5-21
Taizhou Xintai Group Co., Ltd.	Taizhou No.2 Chengnan Sewage Treatment Co., Ltd.	5,000.00	2021-6-24	2022-6-24
Taizhou Xintai Group Co., Ltd.	Taizhou No.2 Chengnan Sewage Treatment Co., Ltd.	4,000.00	2021-6-29	2022-6-27
Taizhou Xintai Group Co., Ltd.	Taizhou No.2 Chengnan Sewage Treatment Co., Ltd.	49,995.00	2021-6-30	2022-6-30
Taizhou Xintai Group Co., Ltd.	Taizhou No.2 Chengnan Sewage Treatment Co., Ltd.	2,000.00	2021-8-31	2029-6-28
Taizhou Xintai Group Co., Ltd.	Jiangsu Huaxuan Electronic Commerce Co., Ltd.	49,500.00	2021-3-19	2023-3-11
Taizhou Xintai Group Co., Ltd.	Jiangsu Huaxuan Electronic Commerce Co., Ltd.	1,000.00	2021-6-30	2022-6-30
Taizhou Xintai Group Co., Ltd.	Jiangsu Huaxuan Electronic Commerce Co., Ltd.	3,000.00	2021-10-18	2022-4-18
Taizhou Xintai Group Co., Ltd.	Jiangsu Huaxuan Electronic Commerce Co., Ltd.	2,228.86	2021-11-22	2022-11-21
Taizhou Xintai Group	Taizhou Auto City Co.,	15,545.22	2021-9-28	2024-7-30

Name of the guarantee unit	Name of the guaranteed unit	Guarantee balance (unit: RMB 0,000)	Start date	Maturity date
Co., Ltd.	Ltd.			
Taizhou Xintai Group Co., Ltd.	Taizhou Auto City Co., Ltd.	5,000.00	2021-9-28	2023-9-28
Taizhou Xintai Group Co., Ltd.	Taizhou New Area New Rural Construction Investment Development Co., Ltd.	5,750.11	2018-5-7	2023-5-7
Taizhou Xintai Group Co., Ltd.	Taizhou New Area New Rural Construction Investment Development Co., Ltd.	6,869.72	2020-8-25	2023-8-25
Taizhou Xintai Group Co., Ltd.	Taizhou New Area New Rural Construction Investment Development Co., Ltd.	26,666.67	2020-12-10	2023-12-10
Taizhou Xintai Group Co., Ltd.	Xin Fu (BVI) Co., Ltd.	51,337.12	2019-6-28	2022-6-28
Taizhou Xintai Group Co., Ltd.	Taizhou Xinrun Gardening Co., Ltd.	700.00	2021-11-1	2022-10-31
Taizhou Xintai Group Co., Ltd.	Taizhou Xinrun Gardening Co., Ltd.	500.00	2021-12-2	2022-10-25
Taizhou Xintai Group Co., Ltd.	Taizhou Xinrun Gardening Co., Ltd.	1,000.00	2021-12-27	2022-12-27
Taizhou Xintai Construction Development Co., Ltd.	Taizhou Xintai Group Co., Ltd.	1,000.00	2021-6-22	2022-6-22
Taizhou Xintai Construction Development Co., Ltd.	Taizhou Xintai Group Co., Ltd.	29,000.00	2021-6-24	2022-6-24
	Total	307,854.55		

3. Receivables and payables of related parties

Item name	Related parties	Ending balance	Beginning balance
Other receivables	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	60,000,000.00	49,769,875.27
Other receivables	Taizhou Port Development Co., Ltd.	9,794,698,433.25	9,724,470,377.97

IX. Commitments and contingencies

(I) Important commitments

The Company has no major commitment issues that need to be disclosed.

(II) Important contingencies existed on the balance sheet date

As of December 31, 2021, the breakdowns of the guarantee provided by the Company and its holding subsidiaries for external units are as follows: (Unit: RMB 0,000)

Name of the guarantee unit	Name of the guaranteed unit	Guarantee balance	Start date	Maturity date	Remark
Taizhou Xintai Group Co., Ltd.	Taizhou City Construction	25,000.00	2019-6-3	2024-6-3	

Name of the guarantee unit	Name of the guaranteed unit	Guarantee balance	Start date	Maturity date	Remark
	Investment Group Co., Ltd.				
Taizhou Xintai Group Co., Ltd.	Taizhou City Construction Investment Group Co., Ltd.	13,500.00	2019-7-11	2025-6-11	
Taizhou Xintai Group Co., Ltd.	Taizhou City Construction Investment Group Co., Ltd.	25,376.00	2019-10-10	2024-9-10	
Taizhou Xintai Group Co., Ltd.	Taizhou City Construction Investment Group Co., Ltd.	57,925.00	2020-5-18	2025-5-17	
Taizhou Xintai Group Co., Ltd.	Taizhou City Construction Investment Group Co., Ltd.	8,350.00	2020-5-29	2028-12-31	
Taizhou Xintai Group Co., Ltd.	Taizhou City Construction Investment Group Co., Ltd.	15,000.00	2021-6-25	2022-6-24	
Taizhou Xintai Group Co., Ltd.	Taizhou City Construction Investment Group Co., Ltd.	10,000.00	2021-6-1	2022-6-1	
Taizhou Xintai Group Co., Ltd.	Taizhou City Construction Investment Group Co., Ltd.	20,000.00	2021-1-29	2022-1-28	
Taizhou Xintai Group Co., Ltd.	Taizhou Fengchenghe Construction Development Co., Ltd.	20,000.00	2021-12-24	2022-12-23	
Taizhou Xintai Group Co., Ltd.	Taizhou Fengchenghe Construction Development Co., Ltd.	11,000.00	2019-12-10	2022-6-10	
Taizhou Xintai Group Co., Ltd.	Taizhou Fengchenghe Construction Development Co., Ltd.	18,950.00	2020-2-21	2023-2-20	
Taizhou Xintai Group Co., Ltd.	Taizhou Fengchenghe	20,000.00	2021-12-17	2022-12-25	

Name of the guarantee unit	Name of the guaranteed unit	Guarantee balance	Start date	Maturity date	Remark
	Construction Development Co., Ltd.				
Taizhou Xintai Group Co., Ltd.	Taizhou Fengchenghe Construction Development Co., Ltd.	20,000.00	2021-12-16	2022-3-16	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	5,000.00	2018-7-24	2022-7-24	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	9,952.23	2018-9-30	2023-9-30	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	12,000.00	2019-9-20	2022-9-19	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	16,000.00	2021-9-27	2022-9-26	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	12,000.00	2019-9-27	2022-9-20	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	18,000.00	2019-12-4	2024-12-4	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	22,500.00	2019-12-10	2024-12-10	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	30,000.00	2020-1-14	2025-1-14	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	3,500.00	2020-1-21	2022-1-20	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	45,000.00	2020-3-6	2023-3-5	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	12,500.00	2020-3-27	2023-3-27	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical	10,000.00	2021-4-29	2022-4-27	

Name of the guarantee unit	Name of the guaranteed unit	Guarantee balance	Start date	Maturity date	Remark
	Investment Co., Ltd.				
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	70,000.00	2020-4-17	2022-4-17	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	24,700.00	2020-4-27	2023-4-27	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	15,900.00	2020-6-11	2028-12-10	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	17,900.00	2020-6-23	2030-6-18	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	50,000.00	2020-6-23	2022-6-22	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	10,000.00	2020-7-22	2022-7-20	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	19,400.00	2020-7-29	2022-1-23	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	48,000.00	2020-11-3	2022-11-3	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	11,250.00	2020-12-21	2027-12-18	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	20,548.36	2020-11-17	2023-11-17	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	20,000.00	2021-3-17	2022-3-16	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	12,000.00	2021-2-5	2023-2-3	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	47,530.00	2021-4-19	2027-4-30	

Name of the guarantee unit	Name of the guaranteed unit	Guarantee balance	Start date	Maturity date	Remark
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	49,699.11	2021-4-9	2022-7-6	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	49,730.00	2021-9-3	2023-12-29	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	18,517.99	2021-8-6	2024-8-6	
Taizhou Xintai Group Co., Ltd.	Taizhou Huakang Investment Co., Ltd.	35,000.00	2020-12-18	2034-12-31	
Taizhou Xintai Group Co., Ltd.	Taizhou Huasheng Investment Development Co., Ltd.	9,000.00	2021-4-30	2022-4-30	
Taizhou Xintai Group Co., Ltd.	Jiangsu Huawei Pharmaceutical Logistics Co., Ltd.	9,500.00	2021-3-18	2022-3-17	
Taizhou Xintai Group Co., Ltd.	Taizhou Pharmaceutical Hi Tech Co., Ltd.	10,000.00	2021-4-30	2022-4-30	
Taizhou Xintai Group Co., Ltd.	Taizhou Pharmaceutical High Tech Industry Investment Development Co., Ltd.	10,000.00	2019-6-26	2024-6-25	
Taizhou Xintai Group Co., Ltd.	Taizhou Orient China Medical City Holding Group Co., Ltd.	2,451.94	2018-12-27	2022-12-27	
Taizhou Xintai Group Co., Ltd.	Taizhou Orient China Medical City Holding Group Co., Ltd.	26,800.00	2021-2-9	2022-2-8	
Taizhou Xintai Group Co., Ltd.	Taizhou Huacheng Medical Investment Group Co., Ltd.	20,000.00	2020-1-6	2022-11-21	
Taizhou Xintai Group Co., Ltd.	Taizhou Huacheng Medical Investment Group Co., Ltd.	11,300.00	2020-4-17	2022-4-23	
Taizhou Xintai Group Co., Ltd.	Taizhou Huacheng Medical Investment Group Co., Ltd.	29,600.00	2020-6-10	2035-6-8	

Name of the guarantee unit	Name of the guaranteed unit	Guarantee balance	Start date	Maturity date	Remark
Taizhou Xintai Group Co., Ltd.	Taizhou Higher Education Investment Development Co., Ltd.	9,666.54	2020-3-13	2025-3-13	
Taizhou Xintai Group Co., Ltd.	Taizhou Higher Education Investment Development Co., Ltd.	70,000.00	2020-6-23	2022-6-23	
Taizhou Xintai Group Co., Ltd.	Taizhou Higher Education Investment Development Co., Ltd.	18,950.71	2020-3-27	2025-3-30	
Taizhou Xintai Group Co., Ltd.	Taizhou New Binjiang Development Co., Ltd.	1,500.00	2015-4-30	2023-3-16	
Taizhou Xintai Group Co., Ltd.	Taizhou New Binjiang Development Co., Ltd.	964.75	2018-11-14	2024-1-4	
Taizhou Xintai Group Co., Ltd.	Taizhou New Binjiang Development Co., Ltd.	20,000.00	2020-4-28	2022-4-28	
Taizhou Xintai Group Co., Ltd.	Taizhou New Binjiang Development Co., Ltd.	20,000.00	2020-5-22	2022-5-22	
Taizhou Xintai Group Co., Ltd.	Taizhou New Binjiang Development Co., Ltd.	7,500.00	2020-5-28	2023-5-28	
Taizhou Xintai Group Co., Ltd.	Taizhou New Binjiang Development Co., Ltd.	27,600.00	2020-6-30	2023-1-8	
Taizhou Xintai Group Co., Ltd.	Taizhou New Binjiang Development Co., Ltd.	13,500.00	2020-8-28	2022-11-28	
Taizhou Xintai Group Co., Ltd.	Taizhou New Binjiang Development Co., Ltd.	4,300.00	2021-10-14	2022-10-14	
Taizhou Xintai Group Co., Ltd.	Taizhou New Binjiang Development Co., Ltd.	10,000.00	2021-12-16	2022-6-16	
Taizhou Xintai Group Co., Ltd.	Taizhou Xinbinjiang Technology Development Co., Ltd.	12,000.00	2021-7-30	2024-7-30	
Taizhou Xintai Group Co., Ltd.	Taizhou Feisite Construction Engineering Co., Ltd.	2,900.00	2021-2-10	2022-2-10	
Taizhou Xintai Group Co., Ltd.	Taizhou Jiangyuan Engineering Construction Co., Ltd.	1,000.00	2021-6-21	2022-6-21	
Taizhou Xintai Group Co., Ltd.	Taizhou Runjiang Construction Development Co., Ltd.	3,200.00	2021-2-10	2022-2-10	
Taizhou Xintai Group Co., Ltd.	Taizhou Runjiang	28,999.00	2017-1-24	2023-1-23	

Name of the guarantee unit	Name of the guaranteed unit	Guarantee balance	Start date	Maturity date	Remark
	Construction Development Co., Ltd.				
Taizhou Xintai Group Co., Ltd.	Taizhou Runjiang Construction Development Co., Ltd.	20,000.00	2021-6-15	2023-6-14	
Taizhou Xintai Group Co., Ltd.	Taizhou Tongtai Investment Co., Ltd.	30,000.00	2021-5-27	2024-5-26	
Taizhou Xintai Group Co., Ltd.	Taizhou Software Park Co., Ltd.	10,000.00	2021-7-7	2022-7-6	
Taizhou Xintai Group Co., Ltd.	Jiangsu Chuanghong Asset Management Co., Ltd.	21,000.00	2021-6-29	2022-3-28	
Taizhou Xintai Group Co., Ltd.	Jiangsu Wangtao Investment Construction Co., Ltd.	16,228.18	2019-5-5	2024-5-5	
Taizhou Xintai Group Co., Ltd.	Jiangsu Wangtao Investment Construction Co., Ltd.	19,000.00	2021-6-21	2023-2-20	
Taizhou Xintai Group Co., Ltd.	Jiangsu Wangtao Investment Construction Co., Ltd.	15,000.00	2020-10-13	2024-10-13	
Taizhou Xintai Group Co., Ltd.	Taizhou Gaogang High Tech Zone Development and Construction Co., Ltd.	19,930.00	2020-3-13	2022-3-20	
Taizhou Xintai Group Co., Ltd.	Sinopharm Group taizhou Co., Ltd.	5,500.00	2021-12-31	2022-6-19	
Taizhou Xintai Group Co., Ltd.	Taizhou Port Development Co., Ltd.	35,450.00	2020-1-22	2022-2-18	
Taizhou Xintai Group Co., Ltd.	Taizhou Port Development Co., Ltd.	9,033.33	2020-9-24	2023-9-24	
Taizhou Xintai Group Co., Ltd.	Taizhou Port Development Co., Ltd.	8,333.33	2021-3-30	2024-3-30	
Taizhou Xintai Group Co., Ltd.	Taizhou Shenhe Real Estate Co., Ltd.	5,000.00	2020-12-2	2022-10-31	
Total		1,576,936.47			

X. Events post the Balance Sheet Date

By the date of approval and reporting this financial statement, the company has no other due disclose but undisclosed events occurring after the balance sheet date.

XI. Notes of main items on the parent company's financial statements

Note 1. Accounts receivable

1. Classification disclosure of accounts receivable

Type	Ending balance				
	Book balance		Bad debt reserves		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with expected credit loss calculated and withdrawn separately					
Accrue the accounts receivable with expected credit losses according to the combination	438,954,648.74	100.00			438,954,648.74
Wherein: Combination of account age analysis					
Riskless portfolio	438,954,648.74	100.00			438,954,648.74
Total	438,954,648.74	100.00			438,954,648.74

Continued:

Type	Beginning balance				
	Book balance		Bad debt reserves		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with significant single amount and separately withdrawn bad debt reserve	-		-		-
Accounts receivable for which the bad debt reserves withdrawn based on credit risk characteristic portfolio	-		-		-
Wherein: Combination of account age analysis					
Riskless portfolio					
Accounts receivable with not significant single amount but separately withdrawn bad debt reserve					
Total	-		-		-

2. Preparation of the withdrawn, recovered or withheld bad-debt provisions of the current period:

The transferred bad-debt provision in the current period is RMB 0.00.

Notes 2. Other receivables

Item	Ending balance	Beginning balance
Interests receivable		
Dividends receivable		
Other receivables	21,605,289,334.71	20,063,616,573.96
Total	21,605,289,334.71	20,063,616,573.96

Note: Other receivables in the above table above refer to other receivables after deducting interests receivable and dividends receivable.

(I) Other receivables

1. Classification disclosure of other receivables

Type	Ending balance				
	Book balance		Bad debt reserves		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other receivables with expected credit loss calculated and withdrawn separately					
Accrue the other receivables with expected credit losses according to the combination	21,609,850,292.68	100.00	4,560,957.97	0.02	21,782,432,436.03
Wherein: Combination of account age analysis	7,924,540.53	0.04	4,560,957.97	57.55	3,363,582.56
Riskless portfolio	21,601,925,752.15	99.96			21,779,068,853.47
Other receivables with single insignificant amount but withdrawing bad-debt provision of single amount					
Total	21,609,850,292.68	100.00	4,560,957.97	0.02	21,782,432,436.03

Continued:

Type	Beginning balance				
	Book balance		Bad debt reserves		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other receivables with significant single amount and separately withdrawn bad debt reserve					
Other receivables for which the bad debt reserves withdrawn based on credit risk characteristic portfolio	20,069,229,810.78	100.00	5,613,236.82	0.03	20,063,616,573.96
Wherein: Combination of account age analysis	17,663,569.40	0.09	5,613,236.82	31.78	12,050,332.58
Riskless portfolio	20,051,566,241.38	99.91			20,051,566,241.38

Type	Beginning balance				Book value
	Book balance		Bad debt reserves		
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other receivables with single insignificant amount but withdrawing bad-debt provision of single amount					
Total	20,069,229,810.78	100.00	5,613,236.82		20,063,616,573.96

2. Other receivables disclosure by account receivable age

Aging	Ending balance		
	Other receivables	Bad debt reserves	Withdrawal proportion (%)
Within 1 year (including 1 year)	16,242,798,452.71	105,340.25	5.00
1-2 years (including 2 years)	4,989,107,044.06	55,746.56	10.00
2-3 years (including 3 years)	67,412,504.44	368,742.32	30.00
> 3 years	310,532,291.47	4,031,128.84	100.00
Total	21,609,850,292.68	4,560,957.97	—

3. Provision for bad debts of other receivables with the expected credit loss calculated and withdrawn in the form of portfolio

Bad debt reserves	Phase I	Phase II	Phase III	Total
	Expected credit loss in the next 12 months	Expected credit loss throughout the entire duration (credit impairment that has not occurred)	Expected credit loss throughout the entire duration (credit impairment that has occurred)	
Beginning balance	5,613,236.82			5,613,236.82
Beginning balance in the current period				
-Transfer to Phase II				
-Transfer to Phase III				
-Transfer to Phase II				
-Back to Phase I				
Withdrawal for the current period				
Restitution of the current period	1,052,278.85			1,052,278.85
Write-off of the current period				
Charge-off in the current period				
Other changes				

Bad debt reserves	Phase I	Phase II	Phase III	Total
	Expected credit loss in the next 12 months	Expected credit loss throughout the entire duration (credit impairment that has not occurred)	Expected credit loss throughout the entire duration (credit impairment that has occurred)	
Ending balance	4,560,957.97			4,560,957.97

4. The top five other receivables as per the ending balance collected by the debtor in the current period

Company name	Nature of payment	Ending balance	Aging	Proportion in ending balance of other receivables (%)	Bad debt reserves Ending balance
Taizhou Port Development Co., Ltd.	Interco urse funds	12,302,217,399.32	Within 1 year	61.30	
Management Committee of Taizhou Economic Development Zone	Interco urse funds	2,729,134,583.81	1-2 years	13.60	
Taizhou Mingda Infrastructure Co., Ltd.	Interco urse funds	2,249,117,594.49	1-2 years	11.21	
Management Committee of Taizhou Medical New & High-tech Industrial Development Zone	Interco urse funds	300,000,000.00	Within 1 year	1.49	
Taizhou Xinsheng Housebreaking Co., Ltd.	Interco urse funds	228,971,141.88	Within 1 year	1.14	
Total		17,809,440,719.50		88.74	

Note 3. Long-term equity investment

Nature of payment	Ending balance			Beginning balance		
	Book balance	Impairment reserves	Book value	Book balance	Impairment reserves	Book value
Investment in subsidiaries	3,213,339,599.24		3,213,339,599.24	2,613,339,599.24		2,613,339,599.24
Investment in joint ventures	81,438,358.80		81,438,358.80	111,334,066.48		111,334,066.48

Nature of payment	Ending balance			Beginning balance		
	Book balance	Impairment reserves	Book value	Book balance	Impairment reserves	Book value
and cooperative enterprise						
Total	3,294,777,958.04		3,294,777,958.04	2,724,673,665.72		2,724,673,665.72

1. Investment in subsidiaries

Invested unit	Beginning balance	Increase in current period	Decrease in current period	Ending balance	Ending balance of impairment reserves
Taizhou Xintai Construction Development Co., Ltd.	939,400,000.00			939,400,000.00	
Taizhou No.2 Chengnan Sewage Treatment Co., Ltd.	65,200,000.00	200,000,000.00		265,200,000.00	
Tiazhou Xinyuan Logistics Co., Ltd.	2,550,000.00			202,550,000.00	
Taizhou New Area New Rural Construction Investment Development Co., Ltd.	1,457,194,900.00			1,457,194,900.00	
Taizhou Auto City Co., Ltd.	99,570,655.24			99,570,655.24	
Jiangsu Huaxuan Electronic Commerce Co., Ltd.	18,940,000.00	200,000,000.00		218,940,000.00	
Jiangsu Jiasheng Construction Development Co., Ltd.	4,684,044.00	200,000,000.00		204,684,044.00	
Taizhou Xinrun Gardening Co., Ltd.	25,800,000.00			25,800,000.00	
Total	2,613,339,599.24	600,000,000.00		3,213,339,599.24	

2. Investment in joint ventures and cooperative enterprise

Invested unit	Beginning balance	Increase/decrease changes in the current period			
		Additional investment	Negative investment	Profits and losses on investment confirmed by equity method	Adjustments of other comprehensive incomes
I. Joint venture					
Taizhou Medical High Tech Zone Urban Reconstruction and Development Co., Ltd.	30,323,551.39			-10,115.74	
Jiangsu Xinrui New Energy Automobile Technology Co.,	81,010,515.09			-29,885,591.94	

Invested unit	Beginning balance	Increase/decrease changes in the current period			
		Additional investment	Negative investment	Profits and losses on investment confirmed by equity method	Adjustments of other comprehensive incomes
Ltd.					
Total	111,334,066.48			-29,895,707.68	

Continued:

Invested unit	Increase/decrease changes in the current period				Ending balance	Ending balance of impairment reserves
	Changes of other equities	Cash dividends or profits announced to issue	Withdrawn depreciation reserves	Other		
I. Joint venture						
Taizhou Medical High Tech Zone Urban Reconstruction and Development Co., Ltd.					30,313,435.65	
Jiangsu Xinrui New Energy Automobile Technology Co., Ltd.					51,124,923.15	
Total					81,438,358.80	

Note 4. Operation income and cost

1. Operating incomes and operating costs

Item	Accrual in the current period		Accrual in the last period	
	Incomes	Cost	Incomes	Cost
Main business	418,052,045.38	391,923,793.52	407,102,705.07	381,658,786.97
Other businesses	229,329,829.98	59,837,402.47	299,481,631.79	78,402,416.75
Total	647,381,875.36	451,761,195.99	706,584,336.86	460,061,203.72

Note 5. Investment income

Item	Accrual in the current period	Accrual in the last period
Long-term equity investment income calculated by the equity method	-29,895,707.68	-41,136,331.70
Cash dividends received	4,505,121.72	3,311,555.86
Total	-25,390,585.96	-37,824,775.84

Taizhou Xintai Group Co., Ltd.

(Official Seal)

May 9, 2022

Taizhou Xintai Group Co., Ltd.

Audit Report

DHS ShenZi [2021] 100165



**Dahua Certified Public Accounts (Special General
Partnership) Jiangsu Branch**

Dahua Certified Public Accountants (Special General Partnership) Jiangsu Branch

Taizhou Xintai Group Co., Ltd.
Audit Report and Financial Statements
(From January 1, 2020 to December 31, 2020)

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A u d i t R e p o r t

DHS ShenZi [2021] 100165

To all shareholders Taizhou Xintai Group Co., Ltd. :

I. Audit Opinions

We have audited the financial statement of Taizhou Xintai Group Co., Ltd. (hereinafter referred to as Xintai Group), including the Consolidated and Balance Sheet of Parent Company on December 31, 2020, the Consolidated and Income Statement of Parent Company in 2020, the Consolidated and the Cash Flow Statement of Parent Company, the Consolidated and the Statement of Changes in Owner's Equity of Parent Company, as well as the Notes to Financial Statement.

We think that the financial statements of your company are prepared in accordance with the provisions of Accounting Standards for Business Enterprises (ASBE) in all major aspects, which fairly present Xintai Group and the financial status of the parent company on December 31, 2020, as well as the merger in 2020 and the operating results and cash flows of the parent company.

II. Basis for Audit Opinions

We have conducted audit work in accordance with the provisions of Auditing Standard for Chinese Certified Public Accountant. Our obligations under those standards are further described in the Responsibilities of the Certified Public Accountant for the Audit of the Financial Statements section in the Auditor's Report. We are independent of Xintai Group in accordance with the Code of Professional Conduct and Ethics for Chinese Certified Public Accountants, and we have fulfilled other ethical responsibilities. We believe that the audit evidence we

have obtained is sufficient and appropriate to provide a basis for expressing audit opinions.

III. Responsibilities of Management and the Governance for Financial Statement

Xintai Group The management is responsible for preparing financial statements in accordance with provisions of Accounting Standards for Business Enterprises to realize a fair presentation of financial conditions, and also for designing, implementing as well as maintaining necessary internal control to avoid the material misstatements in the financial statements caused by fraud or mistakes.

In the preparation of financial statements, the management layer of Xintai Group shall be responsible for the evaluation of going-concern ability of Xintai Group, disclosure of the matters related to going-concern ability (if applicable), and use of the going-concern assumption, unless the management layer plans to liquidate Xintai Group, terminate the operation or has no other realistic choices.

The governance layer shall be responsible for supervising the financial reporting process of Xintai Group.

IV. The Responsibility of Certified Public Accountant for Audit of Financial Statements

Our objective is to obtain reasonable assurance on whether there is no misstatement in overall financial statements caused by fraud or error, and to issue an auditor's report with audit opinions. Reasonable assurance is high-level assurance, but it does not guarantee that certain major misstatement can be always found when auditing according to auditing standard. Misstatements may arise from any fraud or error, if they, separately or collectively, could be reasonably expected to affect the economic decisions of users taken on the basis of the financial statements,

the misstatements are generally deemed as material.

In the implementation of the audit process in accordance with the auditing standards, we exercised professional judgment and maintained professional skepticism. Meanwhile, we also implement the following works:

1. Identify and assess material misstatement risks of the financial statements caused by fraud or errors, design and implement audit procedures to deal with these risks, and obtain adequate and proper audit evidence as the basis for expressing audit opinions. As fraud may be involved with complicity, falsification, intentional omission, false statement or outmatch internal control, the risk of failing to find material misstatements caused by fraud is higher than the one caused by error.

2. Understand the internal control related to the audit in order to design proper audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

3. Evaluate the appropriateness of the accounting policies selected by the management, and make accounting estimation and the reasonableness of relevant disclosure.

4. Draw a conclusion on the appropriateness of the going-concern assumption used by the management. At the same time, draw a conclusion on whether there are significant uncertainties in matters or circumstances that may cause major doubts about the going-concern ability of Xintai Group based on the audit evidence. If our conclusion is that significant uncertainty exists, we are required by auditing standards to request report users to note related disclosure of financial statement when we prepare audit reports; In case of any insufficient disclosure, we shall give modified opinions. Our conclusion is obtained based on the available information up to the date of the Audit Report. However, future

events or circumstances may lead to failure of going-concern of Xintai Group.

5. Evaluate general presentation, structure and content of the financial statements, and evaluate whether financial statements can fairly reflect relevant transactions and issues.

6. To obtain sufficient and appropriate audit evidence for the financial information in the entity or business activities of the Xintai Group to make an audit opinion on the financial statements. We are responsible for guiding, supervising and implementing group audit. We assume full responsibility for the audit opinion.

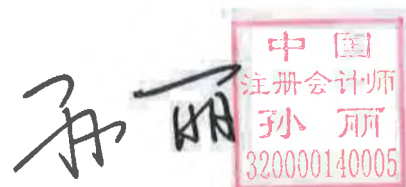
We are responsible for communicating with those charged with governance about the audit scope, time arrangement and major audit findings, etc., including the communication on the noteworthy internal control defects that we recognize in audit.

Dahua Certified Public Accounts
(Special General Partnership) Jiangsu



Nanjing, China

CCPA:



Sun Li

CCPA:



Yuan Zhongxian

May 17, 2021



Consolidated Balance Sheet

Dec. 31, 2020

Prepared by: Taizhou Xintai Group Co., Ltd. (the monetary unit herein is Yuan unless otherwise specified)

Asset	Note VI	Ending balance	Beginning balance
Current assets:			
Monetary capital	Note 1	4,211,461,182.92	6,786,280,367.95
Financial assets measured at the fair value with their changes reckoned in current profits and losses		-	-
Derivative financial assets		-	-
Notes receivable	Note 2	219,750,000.00	200,000.00
Accounts receivable	Note 3	32,023,286.56	501,153,727.21
Advance payment	Note 4	807,801,399.30	687,024,265.03
Other receivables	Note 5	17,102,167,915.76	11,938,142,628.63
Inventory	Note 6	12,667,801,599.07	4,563,603,346.54
Held-for-sale assets			
Non-current assets due within one year	Note 7	196,566,090.95	201,857,501.17
Other current assets	Note 8	338,317,979.19	115,619,751.11
Total current assets		35,575,889,453.75	24,793,881,587.64
Non-current assets:			
Available-for-sale financial assets	Note 9	1,601,651,008.12	833,254,300.00
Held-to-maturity investment		-	-
Long-term receivables	Note 10	757,847,531.09	1,074,413,622.04
Long-term equity investment	Note 11	159,334,066.48	201,998,226.71
Investment real estate	Note 12	7,244,792,051.00	5,157,538,000.00
Fixed assets	Note 13	1,060,637,618.55	1,086,445,719.48
Projects in process	Note 14	14,215,397,833.78	21,769,589,999.31
Productive biological assets			
Oil-and-gas assets			
Intangible assets	Note 15	2,171,999,960.25	2,206,927,557.20
Development expenditure			
Goodwill	Note 16	1,696,363.15	1,696,363.15
Long-term unamortized expenses	Note 17	2,232,758.61	1,355,142.83
Deferred income tax assets	Note 18	4,537,547.71	5,971,729.59
Other non-current asset	Note 19	353,789,417.22	361,405,876.06
Total non-current assets		27,573,916,155.96	32,700,596,536.37
Total assets		63,149,805,609.71	57,494,478,124.01

(The notes to the financial statements attached are an integral part of the consolidated financial statement)

Legal representative of the enterprise:



Chief Accountant in Charge:

王晨

Principal of accounting agency:

潘华芳

Consolidated Balance Sheet (Continued)

2020年12月31日

Prepared by: Taizhou Xintai Group Co., Ltd.

(the monetary unit herein is Yuan unless otherwise specified)

Liabilities and shareholders' equities	Note VI	Ending balance	Beginning balance
Current liabilities:			
Short-term loans	Note 20	1,669,445,920.00	3,044,170,000.00
Financial liabilities measured at the fair value with their changes reckoned in current profits and lc		-	-
Derivative financial liabilities		-	-
Notes payable	Note 21	1,410,000,000.00	270,000,000.00
Accounts payable	Note 22	687,089,856.98	281,889,933.16
Advance collection	Note 23	66,018,143.71	47,408,437.46
Payroll payable	Note 24	3,542,560.84	2,170,542.50
Taxes and dues payable	Note 25	141,129,106.61	86,399,096.70
Other payables	Note 26	1,822,924,394.82	1,085,290,622.14
Held-for-sale liabilities			
Non-current liabilities due within one year	Note 27	10,293,838,229.43	9,292,401,079.45
Other current liabilities	Note 28	1,000,000,000.00	
Total current liabilities		17,093,988,212.39	14,109,729,711.41
Non-current liabilities:			
Long-term loans	Note 29	16,109,285,000.00	18,221,782,723.00
Bonds payable	Note 30	5,502,102,815.67	3,438,388,285.30
Wherein: Preferred stocks			
Perpetual bonds			
Long-term payables	Note 31	1,798,361,256.89	1,659,366,753.64
Long-term payroll payable			
Estimated liabilities			
Deferred incomes	Note 32	3,092,104.66	2,742,072.44
Deferred income tax liabilities	Note 18	595,190,399.45	509,878,776.43
Other non-current liabilities			
Total non-current liabilities		24,008,031,576.67	23,832,158,610.81
Total liabilities		41,102,019,789.06	37,941,888,322.22
Shareholders' equity:			
Share capital	Note 33	10,050,725,604.00	8,650,725,604.00
Other equity instruments			
Wherein: Preferred stocks			
Perpetual bonds			
Capital reserves	Note 34	7,245,953,684.12	6,605,497,027.22
Minus: Treasury stocks		-	-
Other comprehensive incomes	Note 35	1,674,059,223.18	1,471,467,685.93
Special reserves		-	-
Surplus reserves	Note 36	348,731,982.64	310,011,651.49
Undistributed profits	Note 37	2,673,508,546.63	2,464,991,877.31
Total shareholders' equity attributable to the parent company		21,992,979,040.57	19,502,693,845.95
Minority shareholders' equities		54,806,780.08	49,895,955.84
Total shareholders' equities		22,047,785,820.65	19,552,589,801.79
Total liabilities and shareholders' equities		63,149,805,609.71	57,494,478,124.01

(The notes to the financial statements attached are an integral part of the consolidated financial statement)

Legal representative of the enterprise:



Chief Accountant in Charge:

王晨

Principal of accounting agency:

潘华芳



Consolidated Income Statement

2020

Prepared by: Taizhou Xintai Group Co., Ltd.

(the monetary unit herein is Yuan unless otherwise specified)

Item	Note VI	Amount of current period	Amount of last period
I. Total operating incomes	Note 38	3,180,287,082.92	2,062,702,716.15
Minus: Operating costs	Note 38	2,847,368,699.45	1,797,893,200.81
Taxes and surcharges	Note 39	79,691,586.24	46,757,690.98
Sales costs	Note 40	994,045.76	977,490.12
Management costs	Note 41	67,213,679.74	74,561,308.79
R&D costs			
Financial costs	Note 42	61,448,323.50	17,305,940.74
Wherein: Interest costs		64,908,510.93	32,372,430.00
Interest incomes		8,403,396.78	19,384,479.62
Plus: Other incomes	Note 44	278,561,516.07	293,860,664.31
Investment incomes		-39,352,604.37	-16,355,153.40
Wherein: The income from investment in joint ventures and cooperative enterprises	Note 45		
Income from changes in fair value	Note 46	63,002,000.00	10,000,300.00
Asset impairment losses		5,736,727.54	-9,986,994.57
Assets disposal earnings			
II. Operating profits	Note 47	431,518,387.47	402,725,901.05
Plus: Non-operating incomes	Note 48	65,876.28	3,102,907.37
Minus: Non-operating expenditures		1,303,819.30	7,547,160.80
III. Total profits	Note 49	430,280,444.45	398,281,647.62
Minus: Income tax expenses	注释49	76,456,416.43	54,773,386.32
IV. Net profits		353,824,028.02	343,508,261.30
Wherein: Net profits obtained before the merger of the merged party by the enterprise under the same control			
(I) Classified by operation continuity			
Net profit from continuing operation		353,824,028.02	343,508,261.30
Net profit from discontinuing operation			
(II) Classified by ownership			
Net profits attributable to the owners of the parent company		349,417,790.10	341,755,273.47
Minority shareholders' profits and losses		4,406,237.92	1,752,987.83
V. After-tax net amount of other comprehensive incomes		202,591,537.25	
After-tax net amount of other comprehensive incomes attributable to owner of the parent company		202,591,537.25	
(I) Other comprehensive incomes that cannot be reclassified into profits and losses			
1. Re-measurement of net changed amount in the defined benefit plan			
2. Other comprehensive incomes that cannot be transferred into the profits and losses under the equity method			
(II) Other comprehensive incomes that can be reclassified into profits and losses		202,591,537.25	
1. Other comprehensive incomes that can be transferred into the profits and losses under the equity method			
2. Profits and losses of fair value changes of available-for-sale financial assets			
3. Profits and losses of reclassified as available-for-sale financial assets from held-to-maturity investment			
4. Effective part of profits and losses in cash flow hedging			
5. Converted difference in the foreign currency financial statements			
6. The investment income generated before the loss of control rights of subsidiaries is disposed of in an indiscriminate way.			
7. Investment real estate measured by transferring other assets into fair value mode		202,591,537.25	
After-tax net amount of other comprehensive incomes attributable to minority shareholders			
VI. Total comprehensive incomes		556,415,565.27	343,508,261.30
Total comprehensive incomes attributable to the owner of the parent company		552,009,327.35	341,755,273.47
Total comprehensive incomes attributable to minority shareholders		4,406,237.92	1,752,987.83
VII. Earnings per share:			
(I) Basic earnings per share			
(II) Diluted earnings per share			

(The notes to the financial statements attached are an integral part of the consolidated financial statement.)

Legal representative of the enterprise:



Chief Accountant in Charge:

王晨

Principal of accounting

潘华



Consolidated Cash Flow Statement

2020

Prepared by: Taizhou Xintai Group Co., Ltd.

(the monetary unit herein is Yuan unless otherwise specified)

Item	Note VI	Amount of current period	Amount of last period
I. Cash flow from operating activities:			
Cash received from sales of goods or labor provision		3,785,897,686.58	1,542,907,426.41
Refunds of taxes received		1,623,831.23	
Other cash received related to operating activities	Note 50	7,629,331,937.92	1,621,090,639.40
Subtotal of cash inflows from operating activities		11,416,853,455.73	3,163,998,065.81
Cash paid for purchasing goods and accepting labor services		2,255,303,629.83	1,781,350,453.69
Cash paid to and for employees		10,289,958.70	13,650,147.88
Payments of all types of taxes and fees		323,185,809.29	75,931,134.51
Other cash paid related to operating activities	Note 50	8,536,927,813.18	1,201,530,520.07
Subtotal of cash outflows from operating activities		11,125,707,211.10	3,072,462,256.15
Net cash flow arising from operating activities		291,146,244.63	91,535,809.66
II. Cash flow from investing activities:			
Cash received from recovering the investment		11,665,891.88	
Cash received from the investment		3,311,555.86	
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from the disposal of subsidiaries and other business units			
Other cash received related to investing activities			
Subtotal of cash inflows from investing activities		14,977,447.74	
Cash paid from the acquisition of fixed assets, intangible assets and other long-term assets		1,246,371,953.42	3,009,757,860.97
Cash paid for investments		640,000,000.00	308,300,000.00
Net cash paid from the acquisition of subsidiaries and other business units			
Other cash paid related to investing activities			
Subtotal of cash outflows from investing activities		1,886,371,953.42	3,318,057,860.97
Net cash flow arising from investing activities		-1,871,394,505.68	-3,318,057,860.97
III. Cash flow from financing activities:			
Cash received from absorbing investment		2,023,679,156.90	1,832,161,922.46
Wherein: Cash from the investment of minority shareholders is absorbed by subsidiaries			
Cash received from the borrowing acquisition		15,440,465,920.00	22,249,482,352.76
Other cash received related to financing activities		4,050,900,910.93	1,901,357,867.71
Subtotal of cash inflows from financing activities		21,515,045,987.83	25,983,002,142.93
Cash paid for debt repayment		15,944,620,371.50	13,827,562,054.63
Cash paid for the distribution of dividends, profits or repayment of interest		1,723,403,401.57	296,462,007.12
Wherein: Dividends and profits are paid by subsidiaries to minority shareholders			
Other cash paid related to financing activities		4,309,880,119.44	5,284,209,042.17
Subtotal of cash outflows from financing activities		21,977,903,892.51	19,408,233,103.92
Net cash flow arising from financing activities		-462,857,904.68	6,574,769,039.01
IV. The effects of the fluctuation in the exchange rate on cash and cash equivalents		-903,408.37	9,351,180.31
V. Net increase amount in cash and cash equivalents		-2,044,009,574.10	3,357,598,168.01
Plus: Beginning balance of cash and cash equivalents		4,252,469,457.02	894,871,289.01
VI. Ending balance of cash and cash equivalents		2,208,459,882.92	4,252,469,457.02

(The notes to the financial statements are an integral part of the consolidated financial statement.)

Legal representative of the enterprise:



Chief Accountant in Charge:

王晨

Principal of accounting agency:

潘华芳

Prepared by: Tazhou Xintai Group Co., Ltd.

2020

(the monetary unit herein is Yuan unless otherwise specified)

Consolidated Statement of Changes in Owner's Equity

Note VI

Amount of current period

Item	Shareholders' equity attributable to the parent company							
	Share capital	Other equity instruments	Capital reserves	Minority Treasury stocks	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits
I. Balance at the end of last year	8,650,725,604.00		6,605,497,027.22		1,471,467,685.93		310,011,651.49	2,464,991,877.31
Plus: Changes in accounting policies								
Early error correction								
Enterprise merger under the same control								
Other								
II. Beginning balance of current year	8,650,725,604.00		6,605,497,027.22		1,471,467,685.93		310,011,651.49	2,464,991,877.31
III. The increase/decrease changes of the amount of the current year	1,400,000,000.00		640,456,656.90		202,591,537.25		38,720,331.15	208,516,669.32
(I) Total comprehensive income					202,591,537.25			349,417,790.10
(II) Capital invested and reduced by shareholders	1,400,000,000.00		640,456,656.90					4,406,237.92
1. Common shares invested by shareholders	1,400,000,000.00		640,456,656.90					1,972,500.00
2. Capital invested by other equity instrument holders								1,972,500.00
3. Amount of stock payment included into the shareholder's equities								
4. Others								
(III) Profit distribution								
1. Extract for surplus reserves							38,720,331.15	-140,901,120.78
2. Distribution to shareholders							38,720,331.15	-38,720,331.15
3. Others								-102,180,789.63
(IV) Internal carry-over of shareholders' equity								
1. Capital transferred from capital reserves								-140,901,120.78
2. Capital transferred from surplus reserves								-38,720,331.15
3. Recovery of losses by surplus reserve								-102,180,789.63
4. Carry-forward of change in the defined benefit plan for retained earnings								-1,467,913.68
5. Others								
(V) Special reserves								
1. Withdrawal in the current period								
2. Used in current period								
(VI) Others								
IV. Ending balance of the current year	10,050,725,604.00		7,245,953,684.12		1,674,059,223.18		348,731,982.64	2,673,508,546.63
								54,806,780.08
								22,047,785,820.65

(The notes to the financial statements attached are an integral part of the consolidated financial statement.)

Legal representative of the enterprise:

Chief Accountant in Charge:

Principal of accounting agency:



王晨

潘华芳

Prepared by: Taizhou Mingtai Group Co., Ltd.

2020

Consolidated Statement of Changes in Owner's Equity

(the monetary unit herein is Yuan unless otherwise specified)



Note VI

Item	Amount of last period							
	Shareholders' equity attributable to the parent company							
	Share capital	Other equity instruments	Capital reserves	Minority Treasury stocks	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits
I. Balance at the end of last year	2,050,725,604.00		11,325,328,686.67		1,471,467,685.93		272,862,870.66	2,311,452,856.61
Plus: Changes in accounting policies								
Early error correction								
Enterprise merger under the same control								
Other								
II. Beginning balance of current year	2,050,725,604.00		11,325,328,686.67		1,471,467,685.93		272,862,870.66	2,311,452,856.61
III. The increase/decrease changes of the amount of the current year	6,600,000,000.00		4,719,831,659.45				37,148,780.83	153,539,020.70
(I) Total comprehensive income								
(II) Capital invested and reduced by shareholders	1,600,000,000.00		280,168,340.55					341,755,273.48
1. Common shares invested by shareholders	1,600,000,000.00		280,168,340.55					1,752,987.83
2. Capital invested by other equity instrument holders								29,227,500.00
3. Amount of stock payment included into the shareholder's equities								29,227,500.00
4. Others								
(III) Profit distribution								
1. Extract for surplus reserves							37,148,780.83	-188,216,252.78
2. Distribution to shareholders								-37,148,780.83
3. Others								-151,067,471.95
(IV) Internal carry-over of shareholders' equity	5,000,000,000.00		-5,000,000,000.00					
1. Capital transferred from capital reserves	5,000,000,000.00		-5,000,000,000.00					
2. Capital transferred from surplus reserves								
3. Recovery of losses by surplus reserve								
4. Carry-forward of change in the defined b								
5. Others								
(V) Special reserves								
1. Withdrawal in the current period								
2. Used in current period								
(VI) Others								
IV. Ending balance of the current year	8,650,725,604.00		6,605,497,027.22		1,471,467,685.93		310,011,651.49	2,464,991,877.31
								49,895,955.04
								19,552,589,801.79

(The notes to the financial statements attach

Legal representative of the enterprise:



Chief Accountant in Charge:

王成

Principal of accou

王成



Balance Sheet of Parent Company

December 31, 2020

Prepared by: Taizhou Xintai Group Co., Ltd.

(the monetary unit herein is Yuan unless otherwise specified)

Asset	Note 11	Ending balance	Beginning balance
Current assets			
Monetary capital		1,472,954,388.92	3,662,517,033.96
Financial assets measured at the fair value with their changes reckoned in current profits and losses			
Derivative financial assets			
Notes receivable			370,000,000.00
Accounts receivable	Note 1		539,781,613.59
Advance payment		265,003,514.94	290,603,663.80
Other receivables	Note 2	20,063,616,573.96	14,127,079,580.48
Inventory		10,601,842,191.96	2,816,702,526.16
Held-for-sale assets			
Non-current assets due within one year		196,566,090.95	201,857,501.17
Other current assets		329,103,955.26	84,614,809.86
Total current assets		32,929,086,715.99	22,093,156,729.02
Non-current assets:			
Available-for-sale financial assets		1,103,551,008.12	833,154,300.00
Held-to-maturity investment			
Long-term receivables		757,847,531.09	1,074,413,622.04
Long-term equity investment	Note 3	2,724,673,665.72	2,767,337,825.95
Investment real estate		4,436,199,051.00	2,363,446,000.00
Fixed assets		982,569,356.57	1,005,910,418.39
Projects in process		13,902,853,775.31	21,472,963,285.66
Productive biological assets			
Oil-and-gas assets			
Intangible assets		80,300,871.54	82,119,262.02
Development expenditure			
Goodwill			
Long-term unamortized expenses			
Deferred income tax assets		1,403,309.20	3,017,561.67
Other non-current asset		207,479,648.66	207,479,648.66
Total non-current assets		24,196,878,217.21	29,809,841,924.39
Total assets		57,125,964,933.20	51,902,998,653.41

(The notes to the financial statements attached are an integral part of the consolidated financial statement.)

Legal representative of the enterprise:



Chief Accountant in Charge:

王晨

Principal of accounting agency:

潘华珍



Balance Sheet of Parent Company (Continued)

December 31, 2020

Prepared by: Taizhou Xintai Group Co., Ltd.

(the monetary unit herein is Yuan unless otherwise specified)

Liabilities and shareholders' equities	Note 11	Ending balance	Beginning balance
Current liabilities:			
Short-term loans		1,129,445,920.00	1,680,000,000.00
Financial liabilities measured at the fair value with their changes reckoned in current profits and loss			
Derivative financial liabilities			
Notes payable		50,000,000.00	100,000,000.00
Accounts payable		73,441,202.80	142,318,318.06
Advance collection			
Payroll payable		417,784.69	421,984.69
Taxes and dues payable		120,646,951.90	82,902,701.21
Other payables		5,430,523,515.68	4,071,990,860.24
Held-for-sale liabilities			
Non-current liabilities due within one year		7,983,593,427.74	8,340,700,300.96
Other current liabilities		1,000,000,000.00	
Total current liabilities		15,788,068,802.81	14,418,334,165.16
Non-current liabilities:			
Long-term loans		15,142,085,000.00	15,815,720,000.00
Bonds payable		4,986,489,913.38	2,891,415,932.54
Wherein: Preferred stocks			
Perpetual bonds			
Long-term payables		713,187,245.97	875,710,673.72
Long-term payroll payable			
Estimated liabilities			
Deferred incomes			
Deferred income tax liabilities		279,239,808.06	197,553,435.04
Other non-current liabilities			
Total non-current liabilities		21,121,001,967.41	19,780,400,041.30
Total liabilities		36,909,070,770.22	34,198,734,206.46
Shareholders' equity:			
Share capital		10,050,725,604.00	8,650,725,604.00
Other equity instruments			
Wherein: Preferred stocks			
Perpetual bonds			
Capital reserves		6,237,726,420.63	5,615,247,263.73
Minus: Treasury stocks			
Other comprehensive incomes		766,109,075.09	563,517,537.84
Special reserves			
Surplus reserves		348,731,982.64	310,011,651.49
Undistributed profits		2,813,601,080.62	2,564,762,389.89
Total shareholders' equities		20,216,894,162.98	17,704,264,446.95
Total liabilities and shareholders' equities		57,125,964,933.20	51,902,998,653.41

(The notes to the financial statements attached are an integral part of the consolidated financial statement.)

Legal representative of the enterprise:



Chief Accountant in Charge:

王晨

Principal of accounting agency:

潘华芳



Profit Statement of Parent Company

2020

Prepared by: Taizhou Xintai Group Co., Ltd.

(the monetary unit herein is Yuan unless otherwise specified)

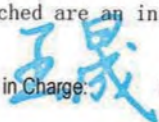
Item	Note 11	Amount of current period	Amount of last period
I. Operating income	Note 4	706,584,336.86	862,146,189.01
Minus: Operating costs	Note 4	460,061,203.72	635,238,755.16
Taxes and surcharges		45,205,117.01	36,976,093.35
Sales costs			
Management costs		25,094,918.71	26,191,091.32
R&D costs			
Financial costs		22,258,218.27	3,873,573.30
Wherein: Interest costs		18,378,605.86	
Interest incomes			
Plus: Other incomes		275,462,271.94	273,149,735.35
Investment incomes	Note 5	-37,824,775.84	-16,355,153.40
Wherein: The income from investment in joint ventures and cooperative enterprises			
Income from changes in fair value		48,501,000.00	2,952,000.00
Asset impairment losses		6,457,009.86	-8,033,460.95
Assets disposal earnings			
II. Operating profits		446,560,385.11	411,579,796.88
Plus: Non-operating incomes		48,240.00	77,180.60
Minus: Non-operating expenditures		837,819.61	95,111.49
III. Total profits		445,770,805.50	411,561,865.99
Minus: Income tax expenses		58,567,494.00	40,074,057.65
IV. Net profits		387,203,311.50	371,487,808.34
(I) Net profits from continuing operation		387,203,311.50	371,487,808.34
(II) Net profits from discontinuing operation			
V. After-tax net amount of other comprehensive incomes		202,591,537.25	
(I) Other comprehensive incomes that cannot be reclassified			
1. Re-measurement of changed amount in the defined benefit plan			
2. Other comprehensive incomes that cannot be transferred into the profits and losses under the equity method			
(II) Other comprehensive incomes that can be reclassified in		202,591,537.25	
1. Other comprehensive incomes that can be transferred into the profits and losses under the equity method			
2. Profits and losses of fair value changes of available-for-sale financial assets			
3. Profits and losses of reclassified as available-for-sale financial assets from held-to-maturity investment			
4. Effective part of profits and losses in cash flow hedging			
5. Converted difference in the foreign currency financial statements			
6. The investment income generated before the loss of control rights of subsidiaries is disposed of in an indiscriminate way.			
7. Investment real estate measured by transferring other assets into fair value mode		202,591,537.25	
VI. Total comprehensive incomes		589,794,848.75	371,487,808.34
VII. Earnings per share:			
(I) Basic earnings per share			
(II) Diluted earnings per share			

(The notes to the financial statements attached are an integral part of the consolidated financial s

Legal representative of the enterprise:



Chief Accountant in Charge:



Principal of accounting agency:

陈华芳



Cash Flow Statement of Parent Company

2020

Prepared by: Taizhou Xintai Group Co., Ltd.

(the monetary unit herein is Yuan unless otherwise specified)

	Note 11	Amount of current period	Amount of last period
I. Cash flow from operating activities:			
Cash received from sales of goods or labor provision		1,297,348,833.53	360,297,066.85
Refunds of taxes received			
Other cash received related to operating activities		17,942,498,360.97	368,802,888.07
Subtotal of cash inflows from operating activities		19,239,847,194.50	729,099,954.92
Cash paid for purchasing goods and accepting labor services		368,229,966.59	741,491,426.03
Cash paid to and for employees		5,391,281.88	5,080,575.31
Payments of all types of taxes and fees		308,189,105.31	42,534,105.23
Other cash paid related to operating activities		18,031,080,306.18	2,858,565,483.96
Subtotal of cash outflows from operating activities		18,712,890,659.96	3,647,671,590.53
Net cash flow arising from operating activities		526,956,534.54	-2,918,571,635.61
II. Cash flow from investing activities:			
Cash received from recovering the investment		11,665,891.88	
Cash received from the investment		4,839,384.39	
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from the disposal of subsidiaries and other business units			
Other cash received related to investing activities			
Subtotal of cash inflows from investing activities		16,505,276.27	
Cash paid from the acquisition of fixed assets, intangible assets and other long-term assets		1,204,050,066.83	2,833,322,544.59
Cash paid for investments		142,000,000.00	270,300,000.00
Net cash paid from the acquisition of subsidiaries and other business units			
Other cash paid related to investing activities			
Subtotal of cash outflows from investing activities		1,346,050,066.83	3,103,622,544.59
Net cash flow arising from investing activities		-1,329,544,790.56	-3,103,622,544.59
III. Cash flow from financing activities:			
Cash received from absorbing investment		2,022,479,156.90	1,798,144,640.55
Cash received from the borrowing acquisition		15,165,465,920.00	16,109,050,000.00
Other cash received related to financing activities		3,680,900,910.93	1,312,521,152.77
Subtotal of cash inflows from financing activities		20,868,845,987.83	19,219,715,793.32
Cash paid for debt repayment		14,722,701,233.51	11,934,651,690.63
Cash paid for the distribution of dividends, profits or repayment of interest		1,668,389,743.78	259,532,864.05
Other cash paid related to financing activities		3,475,828,488.63	338,246,541.45
Subtotal of cash outflows from financing activities		19,866,919,465.92	12,532,431,096.13
Net cash flow arising from financing activities		1,001,926,521.91	6,687,284,697.19
IV. The effects of the fluctuation in the exchange rate on cash and cash equivalents			
V. Net increase amount in cash and cash equivalents		199,338,265.89	665,090,516.99
Plus: Beginning balance of cash and cash equivalents		1,268,906,123.03	603,815,606.04
VI. Ending balance of cash and cash equivalents		1,468,244,388.92	1,268,906,123.03

(The notes to the financial statements attached are an integral part of the consolidated financial statement.)

Legal representative of the enterprise:



Chief Accountant in Charge:

王晨

Principal of accounting agency:

陈华

母公司所有者权益变动表

1905年7月12日

Prepared by: Tuzhou Xintian Group Co., Ltd.

Statement of Changes in Owner's Equity of Parent Company

(除特别注明外, 金额单位均为人民币元)



	Amount of current period						
	Share capital	Other equity instruments	Capital reserves	Minority Treasury stocks	Other comprehensive incomes	Special reserves	Surplus reserves
I. Balance at the end of last year	8,650,725,604.00		5,615,247,263.73		563,517,537.84		310,011,651.49
Plus: Changes in accounting policies							
Early error correction							
Other							
II. Beginning balance of current year	8,650,725,604.00		5,615,247,263.73		563,517,537.84		310,011,651.49
III. The increase/decrease changes of the amount of the current year	1,400,000,000.00		622,479,156.90		202,591,537.25		38,720,331.15
(I) Total comprehensive incomes							
(II) Capital invested and reduced by shareholders	1,400,000,000.00		622,479,156.90		202,591,537.25		38,720,331.15
1. Common shares invested by shareholders	1,400,000,000.00		622,479,156.90		202,591,537.25		38,720,331.15
2. Capital invested by other equity instrument holders							
3. Amount of stock payment included into the shareholder's equities							
4. Others							
(III) Profit distribution							
1. Extract for surplus reserves							38,720,331.15
2. Distribution to shareholders							-38,720,331.15
3. Others							-99,644,289.62
(IV) Internal carry-over of shareholders' equity							
1. Capital transferred from capital reserves							38,720,331.15
2. Capital transferred from surplus reserves							-38,720,331.15
3. Recovery of losses by surplus reserve							-99,644,289.62
4. Carry-forward of change in the defined benefit plan for retained							
5. Others							
(V) Special reserves							
1. Withdrawal in the current period							
2. Used in current period							
(VI) Others							
IV. Ending balance of the current year	10,050,725,604.00		6,237,726,420.63		766,109,075.09		348,731,982.64
							2,813,601,080.62
							20,216,894,162.98

(The notes to the financial statements attached are an integral part of the consolidated financial statement.)

Legal representative of the enterprise:

Chief Accountant in Charge:

Principal of accounting agency:



王成

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陈华芳

母公司所有者权益变动表

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Prepared by Xinyi Group Co., Ltd.



Statement of Changes in Owner's Equity of Parent Company

Amount of last period

(除特别注明外, 金额单位均为人民币元)

	Share capital	Other equity instruments	Capital reserves	Monetary Treasury stocks	Other comprehensive incomes	Special reserves	Surplus reserves	Undistributed profits	Total shareholders' equities
I. Balance at the end of last year	2,050,725,604.00		10,317,101,423.18		563,517,537.84		272,862,870.66	2,381,490,834.33	15,595,698,270.01
Plus: Changes in accounting policies									
Early error correction									
Other									
II. Beginning balance of current year	2,050,725,604.00		10,317,101,423.18		563,517,537.84		272,862,870.66	2,381,490,834.33	15,595,698,270.01
III. The increase/decrease changes of the amount of the current year	6,600,000,000.00		4,701,854,159.45				37,148,780.83	183,271,555.56	2,118,566,176.94
(I) Total comprehensive incomes									
(II) Capital invested and reduced by shareholders	1,800,000,000.00		298,145,840.55					371,487,808.34	371,487,808.34
1. Common shares invested by shareholders	1,800,000,000.00		298,145,840.55						1,898,145,840.55
2. Capital invested by other equity instrument holders									1,898,145,840.55
3. Amount of stock payment included into the shareholder's equities									
4. Others									
(III) Profit distribution									
1. Extract for surplus reserves							37,148,780.83	-188,216,292.78	-151,067,471.95
2. Distribution to shareholders							37,148,780.83	-37,148,780.83	
3. Others								-151,067,471.95	-151,067,471.95
(IV) Internal carry-over of shareholders' equity	5,000,000,000.00		-5,000,000,000.00						
1. Capital transferred from capital reserves	5,000,000,000.00		-5,000,000,000.00						
2. Capital transferred from surplus reserves									
3. Recovery of losses by surplus reserve									
4. Carry-forward of change in the defined benefit plan for retained									
5. Others									
(V) Special reserves									
1. Withdrawal in the current period									
2. Used in current period									
(VI) Others									
IV. Ending balance of the current year	8,650,725,604.00		5,615,247,263.73		563,517,537.84		310,011,551.49	2,564,762,389.89	17,704,264,446.95

(The notes to the financial statements attached a

Legal representative of the enterprise:



Chief Accountant in Charge:

王成

Principal of accounting agency

陈华

Taizhou Xintai Group Co., Ltd.

Notes to 2020 Annual Financial Statements

I. Basic Information of the Company

(1) Registered address, organizational form and headquarters address of company

Taizhou Xintai Group Co., Ltd. (hereinafter referred to as "the company"), was formerly known as Taizhou Xintai State-owned Asset Management Co., Ltd., is a wholly state-owned limited liability company (the present shareholder is changed to Taizhou Municipal People's Government), which is approved by Taizhou Municipal People's Government TZF [2001] No. 32 and exclusively contributed and established by Taizhou Economic Development Zone Management Committee of Jiangsu Province. And the company has obtained the *Business License of Enterprise Legal Person* with a registration number of 3212001100559 approved and issued on September 14, 2001 by the Taizhou Administration for Industry and Commerce of Jiangsu Province. Company domicile: Comprehensive Building, Economic Development Zone, Qingnian South Road, Taizhou City Legal representative: Huang Chen; As of December 31, 2018, registered capital (paid-up capital) of the company: RMB 2,050,725,604.00; Unified social credit code: 913212917311765790.

On November 7, 2019, the registered capital of the company is increased from RMB 2,050,725,604.00 to RMB 7,050,725,604.00. The increased registered capital (RMB 5 billion) is converted from capital reserve to the capital and has a SYYZS (2019) No. 25 special report issued Suya Jincheng Certified Public Accountants Yancheng Branch.

On December 28, 2019, the registered capital of the company is increased from RMB 7,050,725,604.00 to RMB 10,050,725,604.00, and increased RMB 1.6 billion in paid-in capital.

As of December 31, 2019, the registered capital of the company is RMB 10,050,725,604.00 and the paid-up capital is RMB 8,650,725,604.00.

On January 8, 2020, the company had received a capital increase amount of RMB 1.4 billion from State-owned Assets Supervision and Administration Commission of Taizhou Government. As of December 31, 2020, the registered capital and paid-in capital of the company is RMB 10,050,725,604.00.

(2) Business nature and main business activities of company

state-owned assets of the scope of operational management and authorization; investment, leasing, acquisition of state-owned assets; restructuring of state-owned assets debts and creditor's rights; acquisition (merger) of assets (equities); investment of real estate; domestic and foreign investment promotion; bid invitation and bidding of investment project; economic information consultation; intermediary agency service; collective assets of the scope of operational

management and authorization; warehousing of general items; construction project management services; property management; parking lot management. (For the projects that must be legally approved, the operating activities can be done with the approval of relevant departments).

(3) Approval and report of the financial statements

The financial statements were approved and reported by the board of directors of the Company on May 17, 2021.

II. Scope of consolidated financial statements

A total of 13 households were brought into the consolidated financial statement in this period, including:

Full name of subsidiary	Subsidiary type	Level	Shareholding ratio (%)	Voting right ratio (%)
Taizhou Xintai Construction Development Co., Ltd.	Holding subsidiary	Level I	99.41	99.41
Taizhou No. 2 Chengnan Sewage Treatment Co., Ltd.	Holding subsidiary	Level I	95.88	95.88
Taizhou New District New Rural Construction Investment Development Co., Ltd.	Wholly-owned subsidiary	Level I	100.00	100.00
Jiangsu Huaxuan Electronic Commerce Co., Ltd.	Wholly-owned subsidiary	Level I	100.00	100.00
Taizhou Automobile City Co., Ltd.	Wholly-owned subsidiary	Level I	100.00	100.00
Jiangsu Jiasheng Construction & Development Co., Ltd.	Holding subsidiary	Level I	51.00	51.00
Taizhou Xinyuan Logistics Co., Ltd.	Holding subsidiary	Level I	51.00	51.00
Taizhou Xinrun Gardening Co., Ltd.	Wholly-owned subsidiary	Level I	100.00	100.00
Xinfu (Hong Kong) Co., Ltd.	Wholly-owned subsidiary	Level I	100.00	100.00
Taizhou Xingang New Material Technology Co., Ltd.	Wholly-owned subsidiary	Level II	100.00	100.00
Xinfu (BVI) Co., Ltd.	Wholly-owned subsidiary	Level II	100.00	100.00
Taizhou Xinquan Environment Protection Engineering Co., Ltd.	Holding subsidiary	Level II	70.00	70.00
Jiangsu Xinrongyuan Supply Chain Management Co., Ltd.	Holding subsidiary	Level II	40.00	40.00

Please refer to "Note VII Profits in Other Main Bodies (I) in Subsidiary Corporation" for the reason of different shareholding ratios of subsidiary company and voting power proportion as well as holding half or lower voting right with controlling the invested unit basis.

1. Subsidiaries, entities with special purpose and operational entities formed through the entrusted management, lease or other means with the control power are included in the consolidated scope in the current period.

Name	Reason for change
Jiangsu Xinrongyuan Supply Chain Management Co., Ltd.	Establishment of investment

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III. paration Basis of Financial Statements

(1)Preparation Basis of Financial Statements

On the basis of actually occurring transaction and matters, the Company conducts confirmation and measurement in accordance with *Accounting Standards for Business Enterprises--Basic Standard* issued by the Ministry of Finance and specific Accounting Standards for Business Enterprises, guidelines for application of Accounting Standards for Business Enterprises, explanation of Accounting Standards for Business Enterprises and other related regulations (hereinafter referred to "Accounting Standards for Business Enterprises"), besides, the Company prepares the financial statement by combining with the regulation of China Securities Regulatory Commission's *Preparation and Submission Rule No. 15 on Information Disclosure for Companies Offering their Securities to the Public --General Regulations of Financial Report* (revised in 2014) on the basis of foregoing regulation.

(2)Going concern

Having evaluated the going-concern ability within 12 months from the end of the report period, the company finds no matter or condition that makes us significantly doubt about it. Therefore, the financial statement is prepared based on the assumption of going concern.

IV. Significant accounting policies and accounting estimates

(1)Declaration of following Accounting Standards for Business Enterprises

The Company's Financial Statements are prepared in accordance with Accounting Standards for Business Enterprises, and indicate the relevant information such as Company's financial status, business results and cash flow truly and completely.

(2)Accounting period

The accounting year is from January 1 to December 31 in the Gregorian Calendar.

(3)Recording currency

RMB is adopted as the recording currency.

(4)Accounting treatment method for enterprise consolidation under the same and under different control

1. When the disposal of the clause, condition and the economic impact of each transaction for achievement of the business merger step by step is subject to one or more of the following conditions, conduct accounting treatment by taking the multiple transactions as a package deal

(1) These transactions are considered to be concluded at the same time or made in the case of

considering mutual influence;

- (2) These transactions as a whole can reach a complete business result;
- (3) The occurrence of a transaction depends on the occurrence of at least one other transaction;
- (4) One transaction alone is not economical, but when being considered together with other transactions, it is economical.

2. Enterprise merger under the same control

The assets and liabilities of the company acquired in the merger of business are measured by the book value of the merged party's assets and liabilities (including goodwill arising out of the ultimate controlling party's acquisition of the merged party) reflected in ultimate controlling party's consolidated financial statements on the merger date. Adjust share capital premium of the capital reserves based on the difference between the book value of net asset and that of the paid merger consideration obtained in the merger (or total face value of the issued share). If the capital stock premium of capital reserve can't be offset enough, adjust retained earnings.

If contingent consideration exists and it is necessary to confirm the estimated liabilities or assets, capital reserves (capital premium or stock premium) shall be adjusted with the balance between estimated liabilities or assets and subsequent contingent consideration settlement. If the capital reserve is not sufficient, the retained incomes shall be adjusted.

If enterprise merger which is ultimately implemented through multiple transactions belongs to a package deal, conduct an accounting treatment by making various transactions as one transaction for acquisition of control; For those not belonging to package deals, the capital reserve shall be adjusted on the day acquiring control right based on the balance between the initial investment cost of long-term equity investment and the book value of long-term equity investments before merger plus the book value of newly-paid consideration of shares further acquired on the merger date. If the capital reserves are insufficient to offset, the retained incomes shall be adjusted. Equity investment held before the merger date and other comprehensive incomes which are checked by using equity method or which are checked and confirmed through recognition and measurement standard of financial instruments shall not conduct accounting treatment until adopting the same basis with the invested unit who directly disposes relevant assets or liabilities for accounting treatment when disposing the investment; Other changes of owners' equities except net profit and loss, other comprehensive incomes and profit distribution in net assets of the invested unit which is checked and confirmed by using the equity method shall not conduct accounting treatment temporarily until transferring into the current profit and loss when disposing the investment.

3. Enterprise merger under the different control

The acquisition date refers to the date of the Company actually acquiring the control right on the acquiree, namely, the date of transferring the net assets of the acquiree or the control right of production operation decision to the Company. When the following conditions are met simultaneously, the Company generally recognizes that the transfer of control right has been realized.

- ① The business merger contract or agreement has passed the approval of the internal authority of the Company.
- ② The business merger matters have obtained the approval if need to pass the approval of the relevant national competent departments.
- ③ The necessary formalities of property right transfer have been handled.
- ④ The company has paid the most of merger price, and had the ability to and planned to pay the residual funds.
- ⑤ The Company has actually controlled the financial and operation policies of the acquiree, and enjoyed the corresponding interests and undertaken the corresponding risks.

The assets paid as the enterprise merger consideration on the acquisition date and the incurred or assumed liabilities were measured by the Company as per fair value, and the difference between the fair value and their book values was included into the current profit and loss.

If the merger cost of the Company is larger than the difference of the fair value share of the acquiree's recognizable net assets during the consolidation, it shall be recognized as goodwill; In case the merger cost is less than the fair value share of recognizable net assets obtained from the acquiree during the merger, the difference shall be counted into current profit and loss after reexamination.

If enterprise merger under the different control which is implemented step by step through multiple change transactions belongs to a package deal, conduct an accounting treatment by making various transactions as one transaction for acquisition of control; In case of not belonging to package deal, if the equity investment held before the merger date is accounted with equity method, the sum of book value of equity investment for the acquiree before acquisition date and the newly-added investment cost on acquisition date is deemed as the initial investment cost for the investment. Other comprehensive income recognized from equity investment held before the acquisition date due to accounting by the equity method shall be accounted for on the same basis as the invested unit's direct disposal of related assets or liabilities while disposing such investment. If the equity investment held before the merger date is checked and confirmed through recognition and measurement standard of financial instruments, the sum of fair value on the merger date and the newly-added investment cost is deemed as the initial investment cost on the merger date. The balance of the fair value and the book value of original stock option, as well as the accumulative

changes of fair value in other comprehensive income are transferred to current investment income on merger date.

4. Relevant expenses incurred from the merger

The intermediary expenses such as audit fee, legal service fee, assessment and consultation fee incurred by enterprise merger and other directly related expenses should be included into the current profit and loss as it happens; Transaction expenses occurred to issue equity securities for business merger can be directly deducted from the sub-equity of equity transactions.

(5)Method for preparation of consolidated financial statement

1. Consolidation scope

The consolidation scope of financial statements of the Company was determined based on control and all its subsidiaries (including individual entities controlled by the Company) were incorporated in the consolidated financial statements.

2. Consolidation procedures

Based on financial statements of the Company and all its subsidiaries and other relevant information, the consolidated financial statements of the Company were prepared. The Company prepares the consolidated financial statements by treating the whole conglomerate as the accounting subject and reflecting overall financial conditions, operating results and cash flows of the conglomerate in accordance with the relevant requirements for confirmation, measurement and reporting in the Accounting Standards for Business Enterprises and its centralized accounting policy.

The accounting policy and accounting periods adopted by all subsidiaries included in the consolidation scope of the consolidated financial statements are consistent with those of the Company. If the accounting policy and the accounting periods adopted by the subsidiaries are inconsistent with those of the Company, the consolidated financial statements, during preparation, shall be adjusted when necessary according to those of the Company.

When the consolidated financial statement is prepared, offset the influence on the consolidated balance sheet, consolidated Income Statement, consolidated Cash Flow Statement and statement of change in shareholders' equity by the internal transactions between the Company and its subsidiaries, as well as each subsidiary. From the way of conglomerate consolidated financial statements, if its affirmation on the same transaction is different from the affirmation of the accounting subject of the Company or a subsidiary, the transaction shall be adjusted from the way of the conglomerate.

Owners' equities, current net profit and loss, and shares of minority shareholders in the current comprehensive income of the subsidiaries were specified in the item of owners' equities in the consolidated balance sheet, item of net profit and item of total comprehensive income in the consolidated profit statement respectively. If the current loss shared by the minority shareholders

of the subsidiaries exceeds the amount shared by the minority shareholders among all the owners' equities of the subsidiaries at the beginning of the period, the balance formed thereby shall still offset the minority shareholders' equity.

For subsidiaries acquired through business combinations under the same control, its financial statements are adjusted based on the book value of its assets and liabilities (including the goodwill formed by the ultimate controller's acquisition of the subsidiary) in the financial statements of the ultimate controller.

As for the subsidiaries which are obtained by the enterprise merger under the different control, the financial statements will be adjusted on the basis of the fair value of the identifiable net assets on the acquisition date.

(1) Increase subsidiary or business

In the reporting period, if the subsidiary or business is increased for the enterprise merger under the same control, the opening balance in the consolidated balance sheet shall be adjusted; Incorporate the incomes, expenses and profits of the subsidiaries or businesses from the beginning of the current consolidation period to the end of the reporting period into the consolidated profit statement; Incorporate the cash flows of subsidiary or business combinations from the beginning of the combination period to the end of the reporting period in the consolidated cash flow statement and relevant items in the comparative statements shall be adjusted. The combination report subject shall be deemed as existing from the time when the ultimate controlling party starts controlling.

When the Company can exert control for the investee under the same control due to investment increment and other reasons, the participating parties shall be considered to make an adjustment under the current state when the ultimate controlling party starts its control. The equity investment which is held before the merged party's control right is obtained, the related profit or loss, other comprehensive incomes and other net capital alternation which has been confirmed since the original stock right acquiring date and the same control date until the merger date shall be used for offsetting the retained earnings or the current profit and loss during the comparative statement period.

In the reporting period, if the subsidiary or business is increased for the enterprise merger under the different control, the opening balance in the consolidated balance sheet shall not be adjusted; Incorporate the incomes, expenses and profits of the subsidiaries or businesses from the purchase date to the end of the reporting period into the consolidated profit statement; The cash flows of the subsidiaries or business from the acquisition date to the end of the reporting period into the consolidated cash flow statement.

As for the equity, which is held by the acquiree on the acquisition date under different control of the investee due to investment increment and other reasons, the Company will make

measurement and calculation again according to the stock fair value on the acquisition date, then, the difference between the fair value and book value will be reckoned in the current investment incomes. The other comprehensive incomes of the acquiree which are held and related to equity method under equity method calculation before acquisition date, the other changes in owners' equities except for net profit and loss, other comprehensive incomes and profit distribution, as well as the related other comprehensive incomes and other owners' equities shall be transferred into the current investment incomes on the acquisition date, except for other comprehensive profits which are generated by the investee during setting the defined benefit plan net liability or change in net assets.

(2) Dispose subsidiary or business

1) Common method

In the reporting period, if the Company manages the subsidiary or business, the income, cost, profit of the subsidiary or business from the business beginning to management date should be recorded in consolidated profit statement; The cash flow of the subsidiary or business from the business beginning to management date should be recorded in the consolidated cash flow statement.

In case of losing the control right for the investee because of disposal of residual equity investments or other reasons, the Company shall conduct calculation again for the rest equity investment after disposal as per the fair value on the day when the control right is lost. For the difference between the sum of the acquired consideration from the equity disposal and fair value of residual equity, deducting the sum of the shares of net assets of original subsidiaries that shall be shared and continuously calculated from the acquisition date or merger date and the goodwill based on the original shareholding proportion, it shall be included into the investment incomes of period when the control right is lost. Other comprehensive incomes related to the equity investment in the original subsidiaries or other changes in owners' equities except for net profit and loss, other comprehensive incomes and profit distribution shall be transferred to current investment income when the control right is lost, except for other comprehensive incomes resulting from a change in net liabilities or net assets for the investee to re-measure and reset the defined benefit plan.

2) Disposal of the subsidiary step by step

It is generally indicated that it shall be better to consider multiple transaction matters as the package deal for accounting disposal when the Company disposes the equity investment of the subsidiaries' step by step until losing the control right, and the articles, conditions and economic effects related to the equity investment of subsidiaries comply with one or multiple following conditions:

A. These transactions are considered to be concluded at the same time or made in the case of

considering mutual influence;

B. These transactions as a whole can reach a complete business result;

C. The occurrence of a transaction depends on the occurrence of at least one other transaction;

D. One transaction alone is not economical, but when being considered together with other transactions, it is economical.

When the transaction which is disposed for the equity investment of the subsidiaries until losing control right is considered to be the package deal, the Company shall make the accounting disposal by considering various transactions as one transaction related to subsidiary disposal and losing the control right; However, the balance between the disposal price and the subsidiary's net asset shares enjoyed corresponding to disposing investment before losing of control shall be recognized as other comprehensive incomes in the consolidated financial statement, which shall be transferred into the current profit and loss of losing the control right when the control is lost.

When the transactions for the equity investment of the subsidiaries until the control right is deprived are not considered to be the package deal, before the control right is deprived, the accounting disposal shall be applied according to the related policies to the part of the disposal of the equity investment of the subsidiaries when the Company has not lost the control right; When the control right is deprived, the accounting disposal shall be applied according to the common disposal method of the subsidiaries.

(3) Purchase of minority equity of subsidiary

The Company calculates the net capital share difference which shall be enjoyed by the subsidiaries since the acquisition date (or merger date) according to the long-term equity investment and newly-increased shareholding proportion due to minority stock purchasing, then, adjust the share capital premium about the capital reserve in the consolidated balance sheet. If the share capital premium in the capital reserve is insufficient to offset, please adjust the retained earnings.

(4) Partial disposal of equity investment of the subsidiary without deprivation of control right

Given no deprivation of control right, concerning the balance between disposal cost acquired for partial disposal of long-term equity investment of the subsidiaries and share of net assets of the subsidiaries corresponding to disposal of long-term equity investment calculated in the sustainable way from the acquisition date or merger date, share capital premium in capital reserves shall be adjusted and combined to the consolidated balance sheet. In case the share capital premium in capital reserves is insufficient in offset, the retained earnings shall be adjusted.

(6) Classification of joint-operation arrangement and accountant arrangement method of joint management

1. Classification of joint venture arrangements

The Company divides the joint venture arrangements into joint operations and joint ventures according to the structure and legal form of joint venture arrangements, the articles specified in joint venture arrangements and other relevant facts and conditions.

Joint venture arrangements not concluded by the individual entity shall be classified as joint operations; In general, the joint venture arrangement which is reached via individual entity will be divided into the joint venture; however, the joint-operation arrangement which is proved to satisfy any of the following conditions and comply with the related laws and regulations by the unambiguous evidence shall be divided into joint operation:

- (1) The legal form of joint venture arrangements proves that the joint venture party shall have rights and obligations on the assets and liabilities involved in the arrangement;
- (2) The contract terms of joint venture arrangements agree that the joint venture party shall have rights and obligations on the assets and liabilities involved in the arrangement;
- (3) Other facts and conditions provide that the joint venture party has rights and obligations on the assets and liabilities involved in the arrangement. For example, the joint venture party involved is entitled to enjoy all outputs related to joint venture arrangements and the liquidation of liabilities in such arrangement continuously depends on the support of the joint venture.

2. Accounting treatment method of joint operations

The Company confirms the following items involved in profit share upon joint operations and conducts the accounting treatment in accordance with Accounting Standards for Business Enterprises:

- (1) Confirm the assets held independently and jointly owned assets in proportion to the share;
- (2) Confirm the liabilities held independently and the liabilities held jointly confirmed by its shares;
- (3) Confirm the income from selling the output shares involved in the joint operation;
- (4) Confirm the income of the joint operation venture due to sales, according to the share;
- (5) Confirm the expenses incurred independently and the expenses incurred jointly by its shares.

The Company puts or sells assets and others into joint-operation (excluding the asset composition business). Before joint-operation sells the assets to a third party, only confirm the profits and losses belonging to other participators in joint-operation. In case of the asset impairment loss in the put or sold assets in accordance with *Accounting Standards for Business Enterprises No. 8 - Assets Impairment*, the company will confirm the loss in full.

The Company purchases assets and others into joint-operation (excluding the asset

composition business). Before selling the assets to a third party, only confirm the profits and losses belonging to other participators in joint-operation. In case of the asset impairment loss in the purchased assets in accordance with *Accounting Standards for Business Enterprises No. 8 - Assets Impairment*, the company will confirm the loss of this part as per its shares.

The Company is not entitled to joint control of joint operations. If the Company is entitled to enjoy relevant assets of joint operations and obligated to bear relevant liabilities of joint operations, conduct accounting treatment as above. Otherwise, conduct accounting treatment in accordance with *Accounting Standards for Business Enterprises*.

(7)Confirmation standards of cash and cash equivalents

When preparing cash flow statement, the Company's cash on hand and deposit that can be used for payment at any time can be recognized as cash. Cash equivalents shall be referred to investment held by the Company which shall have short term (generally due within three months from the acquisition date), high fluidity, and be readily convertible to known amounts of cash and low risk of value changes.

(8)Foreign currency business and foreign currency statement conversion

1. Foreign currency business

The foreign currency transactions take the spot rate on the date of transaction occurrence as conversion exchange rate, accounting in RMB.

On the balance sheet date, the foreign currency monetary items shall be converted according to the spot rate. The resulting exchange balance of foreign currency loan related to the acquisition of assets complying with capitalization conditions shall be subject to the principle of borrowing cost capitalization, while all other exchange balances shall be included in the current profit and loss. For foreign currency non-monetary items measured by historical cost, spot exchange rate on the transaction date will still be used for conversion and its amount of recording currency will not be changed.

For the foreign currency non-monetary item measured based on the fair value, it's converted as per the spot rate on the recognition date of fair value, and the exchange balance generated as variable profit and loss of fair value is included in the current profit and loss. As for available-for-sale non-monetary items, the exchange balance is included in other comprehensive income.

2. Conversion of foreign currency financial statements

Assets and liabilities in the balance sheet are converted at the spot exchange rate on the balance sheet date; All the items other than "undistributed profits" in owner's equities are converted at the spot exchange rate of occurrence of other items. Incomes and expense items in the Income Statement are converted at the spot exchange rate on the transaction date. The translation

balance in foreign currency financial statement generated from conversion is included into other comprehensive incomes.

During the disposal of overseas business, translation balance for foreign currency financial statement listed in other comprehensive income items in the balance sheet which is related to overseas business. Disposal of the current profits and losses since the transfer-in of other comprehensive income items; In case of decrease of the ratio of overseas business, but no loss of control power due to disposal of part of the equity investment or other reasons, the translation reserve related to the disposal of part of related currency in the overseas business shall be attributable to the minority shareholders' equities, and not converted into current profits and losses. In case of disposal of part of the equity of associated enterprises or cooperative enterprises in the overseas business, the translation reserve related to the overseas business shall be converted into the current disposal profits and losses based on the ratio to dispose overseas business.

(9) Financial instruments

Financial instruments include financial assets, financial liabilities and equity instruments.

1. Classification of financial instruments

The Company shall divide the financial assets and financial liabilities into different categories according to the contract terms of the issued financial instrument and its reflected economic essence instead of only in the form of law, in combination with the purpose for obtaining financial asset and bearing financial liabilities; Financial assets measured at the fair value with its changes included into the current profit and loss (or financial liabilities); Held-to-maturity investment; Accounts receivable; Available-for-sale financial assets; Other financial liabilities.

2. Confirmation basis and measurement method of financial instruments

(1) Financial assets measured at the fair value with its changes included into the current profit and loss (financial liabilities)

Financial assets or financial liabilities which are measured at the fair value and the changes are included into the current profits and losses include transactional financial assets or financial liabilities and those financial assets or financial liabilities specified to be measured at the fair value and the changes shall be included into the current profits and losses.

Trading financial assets or financial liabilities refer to such financial assets or liabilities meeting one of the following conditions:

- 1) The purpose to acquire the financial assets or financial liabilities is to sell, repurchase or redeem them in a short term;
- 2) Forming a part of the identifiable combination of financial instruments which are managed in a centralized way and for which there are objective evidences proving that the Company may manage the combination by way of short-term profit making in the near future;

3) Belonging to derivative financial instruments, excluding derivative instruments which are designated as effective hedging instruments, derivative instruments of financial guarantee contracts, and the derivative instruments which are connected with the equity instrument investments for which there is no quotation in the active market, whose fair value cannot be reliably measured, and which shall be settled by delivering the said equity instruments.

Financial assets or financial liabilities that are in line with one of the following conditions shall be designated to be financial assets or financial liabilities measured by fair value with its changes recorded into profit and loss in initial measurement:

1) The designation is able to eliminate or obviously reduce the discrepancies in the recognition or measurement of relevant gains or losses arisen from the different basis of measurement of the financial assets or financial liabilities;

2) The official written documents on risk management or investment strategies have recorded that the combination of said financial assets, the combination of said financial liabilities, or the combination of said financial assets and financial liabilities will be managed and evaluated on the basis of their fair values and be reported to the key management personnel;

3) Mixed instruments include one or more embedded derivative instrument, unless the embedded derivative instrument does not change the cash flow of mixed instruments significantly, or the embedded derivative instrument shall not be split from the relevant mixed instrument;

4) Mixed instrument including embedded derivative instrument which needs splitting failing to measure independently on or after balance sheet date.

The financial assets or financial liabilities that measured in the fair value and the change are included in the current profits and losses, when obtained, the fair value (deducting the announced while non-released cash dividends, or the due while non-received bond interest) is used as initial confirmation amount, the relevant transaction expense shall be included in the current profits and losses. The obtained interests or cash dividends shall be recognized as the investment income in the holding period. The change of fair value shall be included in the current profit and loss at the end of the period. The balance between the fair value and the opening amount shall be recognized as investment income upon income, and at the same time, the profit and loss from fair value changes shall be adjusted.

(2) Accounts receivable

Receivables refer to non-derivative financial assets with no quotation, fixed or definable recovery amount in active markets.

The receivable creditor's right of the Company formed by selling goods or rendering service to the outside, and Company's holding creditor's right of other companies (excluding debt instruments with an offer in the active market), including accounts receivable, other receivables, etc., shall use the contract or agreement price receivable as initial recognition amount. Those of

financing property shall be initially recognized by the present value thereof.

When recovering or disposing such accounts receivable, the balance between the receivables and the book value thereof shall be included in the current profit and loss.

(3) Held-to-maturity investment

Held-to-maturity investment refers to non-derivative financial assets that have a fixed maturity date and fixed or determinable recoverable amount and that the Company has the positive intent and ability to hold until maturity.

The sum of fair value (deducting the due while non-received bond interest) and relevant transaction expenses shall be regarded as the initial confirmation amount upon obtaining held-to-maturity investment by the Company. During the holding period, interest income will be calculated and recognized based on the amortized cost and the effective interest rate, and included into investment income. The actual interest rate is determined at the time of acquisition and remains unchanged during the expected duration or for an applicable shorter period. At the time of disposal, the difference between the purchase price and the book value of the investment is included in the investment income.

If disposal or reclassification for held-to-maturity investment is amount of other classes of financial asset which is bigger relative to all held-to-maturity investment of the Company before sales or reclassification, immediately reclassify the rest held-to-maturity investment into available-for-sale financial assets after disposal or reclassification; the balance between the book value of the said investments and the fair value of it should be included in Other comprehensive income at the re-classification day, and the available-for-sale financial assets should be transferred out with impairment or derecognition and be included in current profit and loss. However, those under the following circumstances shall be excluded:

1) The date of sale or re-classification is quite near to the maturity date or the repo date of the said investment (e.g., within 3 months prior to maturity) that any change of the market interest rate will produce little impact upon the fair value of the said investment;

2) The enterprise has taken back almost all initial principal according to the payment mode agreed in contract.

3) Sales or reclassification is caused by independent events which cannot be controlled and are expected not to occur repeatedly and are difficult to be reasonably expected by the enterprise.

(4) Available-for-sale financial assets

Available-for-sale financial assets refer to the non-derivative financial assets that are specified as assets for sales at the time of initial confirmation, and all the financial assets except for other categories of financial assets.

The sum of fair value (deducting the cash dividends that have been declared while not issued or bond interest that has been in interest payment period while non drawn) and relevant transaction

expenses shall be regarded as the initial confirmation amount upon obtaining available-for-sale financial assets by the Company. The interest or cash dividends obtained during the holding period are recognized as investment income. Gains or losses resulting from the changes of the fair values of the available-for-sale financial assets shall be directly included into other comprehensive income, excluding impairment losses and the exchange balance resulting from the foreign currency monetary financial assets. The balance between the book value of the said available-for-sale financial assets upon disposal and the amount received shall be included into the investment profit and loss; meanwhile, amount of disposal corresponding to the accumulated change in fair value which was originally and directly included in other comprehensive income is transferred out and included in the current profit or loss.

The equity instrument investments for which there is no quotation in the active market and whose fair value can't be measured reliably, and the derivative financial assets which are connected with the said equity instrument and must be settled by delivering the said equity instrument shall be measured on the basis of their costs by the Company.

(5) Other financial liabilities

The sum of fair value and relevant transaction expenses shall be deemed as the initial confirmation amount. Subsequent measurement shall be performed by the amortized cost.

3. Confirmation basis and measurement method of financial asset transfer

Upon the transfer of financial assets of the Company, in case that almost all risks and remuneration of financial assets in terms of ownership are transferred to the transferee, such financial asset derecognition shall be terminated; If almost all risks and remunerations of financial asset ownership are reserved, such financial assets shall be not terminated.

The Company follows the principle of essence outweighing form when judging whether the transfer of financial assets meets the derecognition conditions of the above financial assets. The Company differentiates the transfer of financial assets into overall transfer and partial transfer. For the whole transfer of the financial assets that satisfies the derecognition conditions, the balance between following two amounts shall be included in current profit and loss:

(1) Book value of the transferred financial assets;

(2) The sum of the consideration received as a result of the transfer and the cumulative amount of fair value changes that were originally directly included in the owner's equity (where the financial assets involved in the transfer are available for sale).

If the partial transfer of financial assets meets the derecognition conditions, the whole book value of the transferred financial assets is apportioned between the derecognized portion and the non-recognized portion at their respective fair values, and the balance between the following two amounts is included in current profit and loss:

(1) The book value of the derecognized part;

(2) The sum of the consideration of the derecognition part and the amount corresponding to the derecognition part (in the case where the transferred financial asset is a saleable financial asset) in the accumulative amount of the change in the fair value which was originally directly credited to the owner's equity.

In case of the transfer of financial assets doesn't satisfy the derecognition conditions, they shall continue to be recognized. The received consideration shall be confirmed as one financial liability.

4. Derecognition conditions of financial liabilities

If the whole or part of current obligations concerning the financial liabilities have been removed, the whole or part of financial liabilities shall be derecognized. In case of the Company signs an agreement with the creditor, for existing financial liabilities are replaced by new financial liabilities and there are substantial differences in the contract terms between the new and the existing ones, the derecognition of the existing financial liabilities shall be carried out and the new financial liabilities shall be recognized at the same time.

Where the Company makes substantial revisions to some or all of the contract terms of the existing financial liabilities, it shall derecognize the existing financial liabilities or part of it, and at the same time the financial liabilities after revising the contract terms shall be recognized as a new financial liability.

The financial liability that is totally or partially terminated and the balance between the derecognition book value and the considerations it has been paid (including the non-cash assets it has transferred out and the new financial liabilities it has been assumed) would be included into the current profit and loss.

In case the Company repurchases part of the financial liabilities, the book value of the whole financial liabilities shall be allocated as per the relevant fair value of the continuous recognized part and derecognized part on the repurchase day. The balance between the derecognition book value and the considerations it has been paid (including the non-cash assets it has transferred out and the new financial liabilities it has been assumed) would be included into the current profit and loss.

5. Determination methods of fair values of financial assets and financial liabilities

The fair value of financial assets or financial liabilities with an active market shall be determined by the quotation of the active market; the quotation of active market includes the quotations of assets or liabilities that are easily and able to be obtained regularly from exchanges, traders, brokers, industry groups, pricing agencies or regulatory agencies, and fairly represent the market transactions actually and frequently carried out on the basis of fair trade.

Initially obtained or derived financial assets or financial liabilities take market trading price as the basis to confirm their fair value.

For financial assets and financial liabilities without active market, their fair value shall be determined through valuation techniques. In valuation, the Company adopted applicable valuation techniques supported by sufficient utilizable data and other information in current circumstances, selected input values consistent with assets or liabilities characteristics considered in relevant assets or liabilities transactions of market participators and prioritized applying relevant observable input values. Unobservable input values shall not be applied unless relevant observable input values are not accessible or feasible.

6. Withdrawal of impairment reserves for financial assets (excluding the accounts receivable)

On the balance sheet date, the book value of financial assets measured at the fair value with its changes included into the current profit and loss shall be checked. If there is objective evidence showing that the financial assets are impaired, an impairment reserve shall be made.

The objective evidences that can prove the impairment of financial assets shall include but are not limited to:

- (1) Severe financial difficulty occurs to the issuer or the debtor;
- (2) The debtor breaches any of the contract terms, such as default to pay the interests or the principal, or delay, etc.;
- (3) The creditor makes any concession to the debtor which is in financial difficulties due to economic or legal factors, etc.;
- (4) The debtor will probably become bankrupt or carry out other financial restructuring;
- (5) The financial assets can no longer continue to be traded in the active market due to serious financial difficulties of the issuer;
- (6) It is impossible to identify whether the cash flow of a certain asset within a certain combination of financial assets has decreased or not. But after making an overall appraisal according to the public data available, it is found that the predicted future cash flow of the said combination of financial assets has indeed decreased since it was initially confirmed and such decrease can be measured, for example, the ability of the debtor of the said combination of financial assets worsens gradually, the unemployment rate of the country or region where the debtor is situated increases, the prices of the region where the guarantee is situated are obviously dropping, or the industrial sector concerned is in slump, etc.;
- (7) Any seriously disadvantageous change has occurred to technical, market, economic or legal environment, etc. operated by the issuers of the equity instruments, which makes the investor of an equity instrument unable to take back its cost of investment;
- (8) The fair value of the equity instrument investment drops significantly or not temporarily;

The specific impairment method of financial assets is as below:

(1) Impairment reserves of available-for-sale financial assets

The Company will inspect each available-for-sale equity instrument investment separately on the balance sheet date. If the fair value of the said equity instrument investment on the balance sheet date is lower more than 50% (including 50%) of its cost or has been lower than its cost for more than one year (including one year), it indicates that there is impairment; If the fair value of the equity instrument investment on the balance sheet date is lower more than 20% (including 20%) but less than 50% of its cost, the Company will comprehensively consider all the other relevant factors such as price volatility to determine if there is impairment occurred to the equity instrument investment.

The above mentioned cost is confirmed according to the initially obtained costs of available-for-sale equity instrument investment deducting the collected principal, amortized amount and impairment loss which has been accounted into profits and losses; the fair value of available-for-sale equity instrument investment without active market is determined by the present value that is determined by the market return at the time of similar financial assets discounting the future cash flow; the fair value of available-for-sale equity instrument investment with active market is determined by the closing price of the securities exchange at the end of a period, unless the available-for-sale equity instrument investment has a restricted trade period. The available-for-sale equity instrument investment with limitations in sales will be determined based on the closing price at the terminal end of securities exchange deducting the compensation amount required by the market participator due to bearing the risks in the failure to sell the equity instrument on the public market within the specified period.

In case of impairment in available-for-sale financial assets involving no derecognition, the Company will transfer the accumulative losses generating from decrease in fair value from other comprehensive incomes and include them into current profits and losses. The accumulative loss that transferred out equals to the remaining balance derived by deducting the recovered principal, the amortized amount, the current fair value and the impairment loss that has been counted into the original profits and losses from the original acquisition cost of available-for-sale financial assets.

For the available-for-sale debt instrument whose impairment loss has been confirmed, should the fair value buoy up at the subsequent accounting period and that the increase is related to items occurred after confirming the initial impairment loss, the initially confirmed impairment loss shall be transferred back and included in the current profits and losses. For the impairment loss of available-for-sale equity instrument investment, it shall be transferred back through equity when the equity instrument value buoys up again. But the equity instrument investments for which there is no quotation in the active market and whose fair value can't be measured reliably, or the impairment loss of derivative financial assets which are connected with the said equity instrument and must be settled by delivering the said equity instrument shall not be transferred back.

(2) Impairment reserves of held-to-maturity investment

The impairment loss shall be calculated and confirmed in accordance with the balance between the book value and the expected cash flow value for held-to-maturity investment and loans provided that objective evidence proves that the held-to-maturity investment or loan decreases in value; after withdrawal, if there is any evidence proving that its value has been restored, the originally confirmed impairment loss can be reversed and included into the current profit and loss, but the reversed book value shall not exceed the amortized cost of the financial assets on the reversing date in case of assuming that there are no withdrawal of impairment reserves.

7. Offsetting financial assets and financial liabilities

Besides, the financial assets and financial liabilities are listed in the balance sheet respectively and are not offset with each other. However, if the following conditions are met simultaneously, the net amount after offsetting will be presented in the balance sheet:

(1) the company has the legal right to offset the confirmed amount, and the legal right may be executed currently;

(2) the company plans to settle with net amount or discount the financial assets and pay off the financial liabilities.

(10) Accounts receivable

1. Accounts receivable of significant single amount and with singly withdrawn bad debt reserves

Confirmation standards for accounts receivable with significant single amount and bad debt reserves withdrawn individually: Above RMB 5,000,000

Withdrawal method for bad debt reserves of accounts receivable with significant single amount: Separately carry out impairment test, and withdraw bad debt reserves based on the balance between the present value of expected future cash flow and its book value and include it in the current profit and loss. Separately test accounts receivable without impairment and include them in the portfolio for withdrawing bad debt reserves.

2. Accounts receivable with provision for bad debt on portfolio with credit risk features:

(1) Basis for determining credit risk characteristic portfolio

Receivables with single amount being not big together with amounts receivable without impairment after individual testing shall be divided into several portfolios in accordance with the characteristics of credit risk, and bad debt reserves to be calculated and withdrawn shall be determined based on the actual loss rate of receivables portfolio with same credit risk characteristics as it in the previous year.

Basis for confirming portfolio:

Portfolio name	Withdrawal method	Basis for confirming portfolio:
Portfolio of related parties	Bad-debt provisions without withdrawal	Related party combination within the combination scope
Riskless portfolio	Bad-debt provisions without withdrawal	Determine there is no credit risk as per the business nature, mainly including receivables from government departments, staff's reserves, margin and deposit
Combination of account age analysis method	Account age analysis method	Including receivables other than the above combination and other receivables

(2) Calculation and withdrawal method determined by credit risk characteristic portfolio

① Calculate and withdraw the provision for bad debts based on account age analysis

Account age	Withdrawal ratio of accounts receivable (%)	Withdrawal ratio of other receivables (%)
Within 1 year	5.00	5.00
1-2 years	10.00	10.00
2-3 years	30.00	30.00
Over 3 years	100.00	100.00

② Accounts receivable of not significant single amount but with singly withdrawn bad debt reserves

Reasons for withdrawing bad debt reserves of single amount: There is objective evidence proving the Company is unable to withdraw the receivables as per original provisions of accounts receivable.

Withdrawing method of bad debt reserves: It shall be withdrawn according to the difference between the present value of the expected future cash flow of the receivables and its book value.

(11) Inventory

1. Classification of inventory

Inventory includes finished goods or commodities for sale in daily activities, unfinished goods in the manufacturing process, and materials and supplies consumed in the process of manufacturing products or providing labor services, etc. held by the Company. The inventory mainly includes raw materials, revolving materials, outside processing materials, development costs, self-manufactured semi-finished products, finished products (goods in stock), goods in transit, etc.

2. Inventory valuation methods

When the inventory is acquired, it is initially measured at cost, including procurement costs, processing costs, and other costs. The inventory will use the individual pricing method when it is issued.

3. Basis for determining net realizable value of inventory and withdrawal method for inventory falling price reserve

Withdraw or adjust the inventory falling price reserves based on inventory cost or net realizable value, whichever is lower, after overall check to inventory at the end of the period. For finished products, inventory goods, materials for sales and inventory of other products directly for sales, confirm the net realizable value by deducting estimated sales expense and relevant taxes and charges from the estimated sales price of the inventory during normal production and operation; For a material inventory to be processed, confirm the net realizable value by deducting anticipated cost incurred, anticipated sales expense and relevant taxes and charges during completion from the anticipated sales price of finished products during normal production and operation; For an inventory held to execute sales contract or labor contract, the net realizable value is calculated based on contract price. If the amount of inventory on hand is larger than the ordered quantity in sales contract, the net realizable value of inventory of the exceeding part is calculated based on average sales price.

The inventory falling price reserves will be withdrawn based on single inventory item; For the inventory in large quantity and low price, the inventory falling price reserves shall be withdrawn according to the inventory categories; For an inventory related to product series produced and sold in one region, with the same or similar final use or purpose, and difficult to be separated from other items for inventory falling price reserves, counting and withdrawing inventory falling price reserve shall be consolidated.

If the factors causing any impairment of inventory value have disappeared, the amount of depreciated inventory value shall be resumed and reversed from the inventory falling price reserves that has been made. The reversed amount shall be included in current profit and loss.

4. Stock inventory system

The perpetual inventory system is applied.

5. Amortization methods for low-value consumables and packaging

- (1) Low-value consumables adopt a one-off write-off method;
- (2) Packaging materials shall adopt one-off write-off method.
- (3) Other revolving materials use the one-off write-off method.

6. Accounting method of land for development

Expenses exclusively for land development projects constitutes land development cost;

For projects developed together with real estate, where expense undertaking objects can be clarified, distribute and count into commercial house cost based on actual area.

7. Expense accounting method for public supporting facilities

Public supporting facilities which cannot be transferred with compensation: distribute and count into commercial house cost based on benefit proportion confirming standards;

Public supporting facilities which can be transferred with compensation: take all supporting facilities as cost incurred calculating objects and collect the occurred costs.

8. Accounting method of maintenance funds

According to the relevant stipulations of the location of the development project, the maintenance funds shall be collected or counted and drawn by the company into the development cost of the relevant developing product and uniformly handed over to the administrative department during sale of the developing product (pre-sale).

9. Accounting methods of quality cash deposit

The quality cash deposit shall be reserved from the project funds of the construction unit according to the stipulations of the construction contract. Maintenance fees incurred during the development product warranty period shall offset the quality guarantee deposit. At the expiration of the warranty period agreed upon in the development of the product, the balance of the quality guarantee cash deposit shall be returned to the construction unit.

(12) Held-for-sale

1. Confirmation standards for classified as held-for-sale

Non-current assets or disposal groups that meet the following conditions at the same time are divided into the constituent part of held-for-sale:

(1) According to the practice for selling such assets or disposal groups in similar transactions, they can be immediately sold under the present condition;

(2) The sale is likely to occur, that is, the Company has made a decision for a sales plan and obtained the approval of supervision department and confirmed purchase commitment, and such sale is predicted to be completed within one year.

The confirmed purchase commitment refers to the legally-binding purchase agreement signed between the Company and other parties, and the agreement shall include such important articles as transaction price, time and strict violation punishment in order to minimize the possibility for significant adjustment or cancellation of the agreement.

2. Accounting method of held-for-sale

The Company shall not depreciate or amortize the non-current assets or disposal groups held-for-sale, and if the book value is higher than the net amount after the fees are subtracted from the fair value, the book value shall be written down to the net amount after the fees are subtracted from the fair value, the write-down is recognized as the assets impairment loss and included in the current profits and losses, and the impairment reserve of held-for-sale assets is made.

For the non-current assets of the disposal groups divided into the held-for-sale category on the obtaining day, the initial measuring amount shall be compared with the net amount of the fair value minus the sales expenses in the condition of assuming they are not divided into the held-for-sale category when they are measured initially, and the lower of them shall be measured.

The above principles apply to all non-current assets, but exclude investment properties that are subject to follow-up measurement by using the fair value model, biological assets measured by

using the net amount after the selling fees are subtracted from the fair value, assets formed by employee compensation, deferred income tax assets, financial assets regulated by the relevant accounting standards of financial instruments and the rights arising from the insurance contracts regulated by the relevant accounting standards of insurance contracts.

(13) Long-term equity investment

1. Confirmation of initial investment costs

(1) As for long-term equity investment generated from business combination, the specific accounting policy is shown in annotation IV (IV): accountant arrangement method of business combination under the same control and under the different control.

(2) Long-term equity investments obtained by other means

The long-term equity investment obtained in the form of cash payment is taken as initial investment cost based on the actually paid purchase price. The initial investment cost includes expenses, taxes and other necessary expenses directly related to the acquisition of long-term equity investments.

The initial investment cost of long-term equity investments obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued. The transaction expenses incurred upon issuance or acquisition of self-owned equity instrument, in case the transaction can directly be attributable to the category of equity transaction, shall be deducted from the equity.

On the premise that the fair value of commercial essence and swap-in asset or swap-out asset in non-monetary asset exchange can be reliably calculated, the initial investment cost of the long-term equity swapped from non-monetary asset is confirmed based on the fair value of swap-out assets, unless otherwise there is unambiguous evidence proving that the fair value of swap-in asset is more reliable; For non-monetary assets exchange not meeting the above premise, the book value of swap-out asset and relevant payable taxes are taken as the initial investment cost of swap-in long-term equity investment.

For long-term equity investment obtained through debt restructuring, the initial investment cost is confirmed based on fair value.

2. Confirmation of the subsequent measurement and profit and loss

(1) Cost method

The long-term equity investment in the invested unit may be accounted with cost method or priced based on initial investment cost by the Company. The cost of long-term equity investment may be adjusted by adding or recovering investment.

The Company shall confirm the investment income according to the share of the cash dividends or profits announced by the invested units, except the cost paid when the investment is obtained or the announced cash dividends or profits included in the consideration which is not issued.

(2) Equity method

Equity method shall be used in the calculation of the long-term equity investment of joint venture or associated enterprise by the Company. Parts of associated enterprise equity investments held by venture capital institutions, mutual funds, trust companies or bodies similar to unit-linked insurance fund shall adopt fair value to calculate and include the variations into profits and losses.

The initial investment cost of long-term equity investment is more than the balance of attributable share of the fair value of the invested unit's net identifiable assets at the time of the investment, the initial investment cost of the long-term equity investment may not be adjusted; If the initial investment cost is less than the enjoyed shares of the fair value of recognizable net assets of the invested unit, the balance shall be included into the current profit and loss.

After obtaining long-term equity investment, the Company shall respectively confirm investment income and other comprehensive income shares according to the net profit and loss realized by the invested unit and other comprehensive profit amount which it shall enjoy or undertake, and adjust the book value of long-term equity investment at the same time; According to the profits or cash dividends declared and distributed by the invested unit, the portion that should be enjoyed shall be calculated, and the book value of long-term equity investment shall be reduced accordingly. For the other changes in the owners' equities other than the net profit and loss, other comprehensive incomes and profit distribution of the invested unit, the book value of the long-term equity investment shall be adjusted and included into the owners' equities.

The Company shall, on the basis of the fair value of all identifiable assets of the invested units when it obtains the investment, confirms the attributable share of the net profits and losses of the invested units after it adjusts the net profits of the invested unit. That is to calculate and offset profits and losses of unrealized internal transactions between the Company, associated enterprises and their joint ventures that belong to the Company on which profit and loss of the investment are ascertained.

When confirming losses to be shares of the invested unit, the Company shall treat as per the following procedures: Firstly, offset book value of the long-term equity investment. Secondly, if the book value of the long-term equity investment is insufficient for offset, continue to confirm investment loss based on the book value of other long-term equities substantially constituting net investment of the invested unit, to offset the book value of long-term account receivables. Finally, if the enterprise shall still undertake extra obligations according to investment contract or agreement, confirm the estimated liabilities based on the obligations anticipated to undertake, and count it into current investment losses.

If the invested units gain profits later, the company will firstly deduct the unidentified loss contribution, and then follow the above procedures in reverse order, writing down the book balance of the estimated liabilities, recovering other book value of long-term interests and

long-term equity investment of the investment unit's net investment substantially, and identifying the investment income.

3. Conversion of accounting methods of long-term equity investment

(1) Fair value measurement is converted to equity method accounting

As for the equity investment held by the Company without control, joint control or significant influence on the invested unit and conducting accounting treatment according to financial instrument confirmation and measurement regulations, if it may exert significant influence or joint control (without control) on the invested unit due to increased investment, the fair value of original equity investment (established in accordance with *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*) and added investment cost will be regarded as initial investment cost accounted based on equity method.

If the original equity investment is classified as available-for-sale financial assets, the balance between fair value and book value as well as the accumulative fair value changes included into other comprehensive incomes originally will be transferred to current profit and loss measured based on the equity method.

The balance between the initial investment cost accounted with equity method and the fair value of recognizable net assets on the additional investment date (invested unit) determined and calculated based on the new shareholding ratio after additional investment will be used to adjust the book value of long-term equity investment and included into current non-operating income.

(2) Fair value measurement or equity method accounting is converted to cost method accounting

As for the equity investment held by the Company without control, joint control or significant influence on the invested unit and conducting accounting treatment according to the regulations of recognition and measurement of financial instruments, or as for the long-term equity investment of associated enterprise and joint venture held by the Company, if it can control the invested unit under the different control due to increased investment, the book value of original equity investment plus additional investment will be regarded as initial investment cost accounted with cost method while preparing individual financial statement.

Other comprehensive income recognized from equity investment held before the acquisition date due to accounting by the equity method shall be accounted for on the same basis as the invested unit's direct disposal of related assets or liabilities while disposing such investment.

Where the equity investment held before the acquisition date is disposed according to *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*, the changes in accumulative fair value included into other comprehensive incomes shall be transferred into current profit and loss upon measurement through cost method.

(3) Equity method accounting is converted to fair value measurement

If the Company loses joint control or significant influence on the invested unit due to disposing part of equity investment, the remaining equity will be measured according to the *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*. The balance between fair value and book value will be included into current profits and losses on the date losing joint control or significant influence.

Other comprehensive income recognized from original equity investment due to accounting by the equity method shall be accounted for on the same basis as the invested unit's direct disposal of related assets or liabilities while terminating the equity method accounting.

(4) Equity method is used instead of cost method

If the Company loses control to the invested unit due to disposing partial equity investment, and the remaining equity may exert joint control or significant influence on the invested unit while preparing individual financial statement, it will be measured and adjusted with equity method.

(5) Cost method is converted to fair value measurement

If the company loses control to the invested unit due to disposing part of equity investment, and the remaining equity may not exert joint control or significance on the invested unit while preparing individual financial statement, the accounting treatment will be conducted in accordance with *Accounting Standards for Business Enterprises No. 22 - Confirmation and Measurement of Financial Instruments*. The balance between fair value and book value will be included into current profits and losses on the date losing control.

4. Disposal of long-term equity investment

When disposing a long-term equity investment, the balance between its book value and the actual price obtained shall be included into the current profit and loss. In case the long-term equity investment is calculated with equity method, the same basis applied by the invested units for directly handling with relevant assets and liabilities will be used to handle the investment, and the accounting treatment will be conducted for the part originally included into other comprehensive incomes at the corresponding proportion.

When the disposal of the clause, condition and the economic impact of each transaction for subsidiary equity investment is subject to one or more of the following conditions, conduct accounting treatment by taking the multiple transactions as a package deal

- (1) These transactions are considered to be concluded at the same time or made in the case of considering mutual influence;
- (2) These transactions as a whole can reach a complete business result;
- (3) The occurrence of a transaction depends on the occurrence of at least one other transaction;
- (4) One transaction alone is not economical, but when being considered together with other transactions, it is economical.

When the Company loses its control power over the original subsidiary because of the disposal of part equity investment or other reasons other than package deal, a distinction shall be made between individual financial statement and the consolidated financial statement to conduct the accounting treatment:

(1) As for the disposed equity in individual financial statement, the balance between book value and actual value will be included into current profits and losses. In case of disposed residual equity with joint control and significant influence on the invested unit, calculate with equity method, and adjust the residual equity with equity method since the time of obtaining; In case of the disposed residual equity being not able to jointly control or have a significant influence on the invested unit, conduct accounting treatment according to relevant regulations in *Accounting Standards for Business Enterprises No. 22 -- Recognition and Measurement of Financial Instruments*, and account the balance between the fair value on the date losing control and book value into current profits and losses.

(2) In consolidated financial statement, for the balance between each transaction, disposal price and disposed long-term equity investment before losing control to subsidiary and the corresponding net asset share calculated since the purchase date or consolidation date, adjust capital reserve (capital stock premium), and adjust retained earnings for those capital reserves insufficient for offset; In case of losing control to subsidiary, re-calculate residual equity according to fair value on the date of losing control. For the difference between the sum of the acquired consideration from the equity disposal and fair value of residual equity, deducting the sum of the shares of net assets of original subsidiaries that shall be shared and continuously calculated from the acquisition date based on the original shareholding proportion, it shall be included into the investment incomes of period when the control right is lost, at the same time, write down the goodwill. For other comprehensive income associated with the equity investment of the original subsidiary, it should be converted into current investment income when losing the control right.

If the transaction disposing subsidiary equity investment until losing control belongs to package deal, the transaction will conduct accounting treatment as a transaction disposing subsidiary equity investment and losing control. Accounting treatment will be conducted separately on individual financial statement and consolidated financial statement.

(1) In the individual financial statement, the balance of long-term equity investment book value when disposing price and stock will be confirmed as other comprehensive income before loss of control rights, and when the control rights loses, the other comprehensive income concurrently transferred to current profits and losses.

(2) In the consolidated financial statement, the balance between the disposal price and the subsidiary's net asset shares enjoyed corresponding to disposing investment before losing of control shall be recognized as other comprehensive incomes, which shall be transferred into the

current profit and loss of losing the control right when the control is lost.

5. Judgment standard of joint control and significant influence

If the Company controls certain arrangement together with other participators as agreed and makes decision on activities with significant influence, the decision may exist upon consent of participators sharing control rights. It will be deemed as the Company controlling the arrangement with other participators. The arrangement refers to a joint-operation arrangement.

If the joint-operation arrangement is reached by an independent entity and the Company is entitled to the net assets of the independent entity as agreed, the independent entity will be regarded as joint venture and be accounted with equity method. If the Company is not entitled to the net assets of the independent entity, the independent entity will be regarded as a joint operation. The Company confirms the items related to joint operation share and conduct accounting treatment in accordance with Accounting Standards for Business Enterprises.

Significant influence refers to the investor's power to participate in the decision-making of the financial and operating policies of the invested unit, but it cannot control or jointly control the formulation of these policies with other parties. The Company judges to have significant influence on the invested entity by means of one or several circumstances as follows and upon considering all facts and conditions. (1) Appoint representatives in the board of directors or equivalent authorities of the invested unit; (2) Participate in making financial and operation policy for the invested unit; (3) Conduct important deals with the invested unit; (4) Send administrative staff to the invested units; (5) Provide key technical data for the invested units.

(14)Investment real estate

The investment real estate refers to the real estate that is held to earn the rental and/or for the purpose of capital appreciation. Including rented land use right, holding land use right after that may later transferred when its value adds, rented buildings, etc. In addition, for vacant buildings of the Company for leasing, if the Board of Directors makes written decisions to specify for leasing and there will be no change within the short period, it shall be presented as investment property.

The company's investment property will be accounted based on the cost. The cost of outsourcing investment property includes purchase price, relevant taxes and expenses and other expenditure which directly belong to the assets; The self-built investment real estate cost is constituted by the necessary expenditure spent generated before that asset reaches the expected condition for use.

For follow-up measurement of the investment real estate done through the fair value pattern, where there is no accrual depreciation or amortization made for it, its book value shall be adjusted on the basis of its fair value on the date of the balance sheet, and the balance between the fair value and its original book value shall be included in the current profit and loss.

The basis for subsequent measurement of investment real estate using the fair value model is:

- ① There is an active trading market of real estate in the place where the investment property locates.
- ② The Company is able to obtain the market prices of the identical or similar property and other relevant information from the trading market of property, so as to be able to estimate the fair value of the investment property.

While confirming the fair value of investment real estate, current market price of the same or similar real estate on the active market is referred to; If the current market price of the same or similar real estate cannot be acquired, the Company refers to the recent transaction price of the same or similar real estate on the active market and takes the factors such as financial standing, location, transaction situation, transaction date. etc. so as to reasonably estimate the fair value of the investment real estate; Or confirm the fair value as per the predicted rent gains receivable in the future and the current value of cash flow.

Where the Company has unambiguous evidence proving that the purpose of the investment property has changed into a self-use property, the fair value on the day of transfer shall be the book value of the self-use property and the balance between the fair value and the original book value shall be included in the current profits and losses. Where any self-use real estate or inventory is converted to investment real estate measured by the fair value model, the investment real estate shall be valued by the fair value on the very date of the conversion. If the fair value on the very date of the conversion is less than the original book value, the difference should be recorded in the current profits and losses. If the fair value on the very date of the conversion is more than the original book value, the difference should be recorded in the other comprehensive incomes.

If an investment property is disposed, or if it withdraws permanently from use and it is predicted that no economic benefit will be obtained from the disposal, this investment property shall be derecognized. The amount left as the book value and relevant taxes are deducted from the disposal income obtained from the sale, transfer, discard or damage of the investment real estate shall be included in the current profit and loss.

(15)Fixed assets

1. Recognition condition of the fixed assets

Fixed assets refer to tangible assets held by producing products, providing labor services, renting or operating management, with service life exceeding one accounting year. Fixed assets meeting all the following conditions shall be confirmed:

- (1) Economic benefits related to the fixed asset may flow into enterprises;
- (2) The cost of the fixed asset can be reliably calculated.

2. Initial measurement of fixed assets

The fixed assets of the Company shall be initially measured in accordance with the cost.

(1) The costs of the purchased fixed assets include the purchasing price, import tariff and other relevant taxes as well as other expenditures incurred before letting the fixed assets reach the predetermined usable condition which can directly belong to this kind of assets.

(2) The self-built fixed asset cost is constituted by the necessary expenditure spent generated before that asset reaches the expected condition for use.

(3) As for fixed assets invested by investors, the entry value thereof equals to the value agreed in investment contracts or agreements. But, the agreed value in contracts or agreements is not fair, fair value should be used as the entry value.

(4) If the price of purchasing fixed assets exceeds deferred payment under normal credit conditions and is of financing nature, the cost of fixed assets is determined based on the current value of the purchase price. The balance between the present values of the actually-paid price and the purchase price shall be included into the current profit and loss during the credit period, except for the part that shall be capitalized.

3. Follow-up measurement and disposal of fixed assets

(1) Depreciation of fixed assets

The depreciation of fixed assets is accrued in the estimated useful life after the anticipated net residual value is subtracted from the recorded value. For fixed assets withdrawing impairment reserve, depreciation amount is determined according to the book value after the impairment reserves are deducted and durable years in the future. For the fixed assets of which the depreciation has been fully withdrawn, but continued to be used, the depreciation shall not be calculated and withdrawn.

The Company shall determine the service life and anticipated net residual value according to the nature and use condition of the fixed assets. At the end of the year, the Company shall recheck the service life, anticipated net residual value and depreciation method of the fixed assets. In case of difference from the original estimation, the corresponding adjustment shall be made.

Depreciation method, life and yearly depreciation rate of various fixed assets, are listed as follows:

Type	Depreciation method	Depreciation period (year)	Residual rate (%)	Annual depreciation rate (%)
Houses and buildings	Years average method	20—40	4%, 5%	4.70—2.38
Means of transport	Years average method	5—10	4%, 5%	19.20—9.50
Electronic equipment	Years average method	3-5	4%, 5%	32.00-19.00
Other	Years average method	5-20	4%, 5%	19.20-4.75

(2) Subsequent expenditures of fixed assets

In case that the subsequent expenditures related to fixed assets conform to recognition conditions of fixed assets, they shall be accounted into fixed assets cost; If the fixed assets do not conform to the confirmation condition, they shall be accounted into the current profit and loss.

(3) Disposal of fixed assets

When the fixed assets are disposed or cannot be expected to produce economic interests through use or disposal, the asset shall be derecognized. The amount left as the book value and relevant taxes are deducted from the disposal income obtained from the sale, transfer, discard or damage of the fixed asset shall be included in the current profit and loss.

4. Evidences of confirming, valuation and depreciation method of fixed assets under financial lease

When the fixed assets leased by the Company conform to one or several standards below, they will be confirmed as fixed assets under finance lease:

(1) At the expiry of the lease term, the ownership of lease assets is transferred to the Company.

(2) The company has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option becomes exercisable. Thus, on the lease beginning date, it can be reasonably determined that the option will be exercised by the company.

(3) Even if the ownership of the asset is not transferred, the lease term covers the major part of the use life of the leased asset.

(4) As for the company, the present value of minimum lease payments on commencement date of lease is almost amount to the fair value of leasing assets on commencement date of lease.

(5) The leasing assets are of special nature that only the company can use without making major modifications.

For fixed assets rented by finance lease, the entry value equals to the lease asset's fair value at the lease beginning date or the present value of the minimum lease payment, whichever is lower. The minimum lease payment shall be regarded as the entry value of long-term payables and the balance of it shall be regarded as an unrecognized financing charge. Initial direct costs such as handling charge, lawyer fee, travel expense, stamp tax incurred in the process of negotiation and signing of a lease contract that could be attributed to lease items are included in the lease asset value. The unrecognized financing charge is amortized in each period of lease term according to effective interest method.

The Company adopts the depreciation policy in accordance with that of the own fixed assets to withdraw the fixed assets under financing lease. Whereas the ownership of the leasing asset can be reasonably recognized at the expiration of the lease term, depreciation of the leased assets shall be calculated and withdrawn within the service life thereof. Whereas the ownership of the leasing

assets cannot be reasonably confirmed at the expiration of the lease term, depreciation of the leased assets shall be calculated and withdrawn within the lease term or the service life thereof, whichever is shorter.

(16) Projects in process

1. Initial measurement of engineering under construction

The construction in process launched by the company will be calculated according to its actual costs. And the actual costs are constituted by the necessary expenditures spent as the asset reaches the expected and ready-to-use condition.

2. Standard and time of construction in process transferred to fixed assets

The project of construction in process is the entry value of fixed assets based on all expenditures spent to enable the construction asset to reach the predetermined usable condition. If project under construction of constructed have reached the predetermined usable condition, but have not dealt with final settlement of completion, they shall be counted into fixed assets since the date of reaching the preset using conditions as estimated value based on project budget, construction cost or actual cost of the project, and depreciation of the fixed assets shall be withdrawn based on the Company's fixed assets depreciation policies. The original estimated value shall be adjusted based on the actual cost after the final settlement of completion, without adjusting originally withdrawn depreciation amount.

(17) Borrowing costs

1. Confirmation principles of borrowing cost capitalization

Borrowing expense which the Company can be directly attributed to capital acquisition and construction or production meeting capitalization conditions shall be capitalized and counted into relevant asset costs; For other borrowing costs, they are confirmed as expenses based on accrual during the occurrence and counted into current profit and loss.

Assets eligible for capitalization refer to fixed assets, investment property, inventory, and other assets that require a considerable amount of time for acquisition or construction, or production to be ready for use or sale.

If the borrowing costs meet the following conditions, the capitalization shall be started:

(1) Expenditure on assets has occurred, including expenses incurred in the form of cash payments, transfer of non-cash assets or taking on interest-bearing liabilities for the purchase, construction or production of assets subject to capitalization;

(2) Borrowing costs have occurred;

(3) The purchase, construction or production activities necessary to make the assets ready for use or sale have already begun.

2. Borrowing cost capitalization period

The capitalization period is from the time point of starting capitalization of borrowing costs to the time point of stopping capitalization, excluding the borrowing costs capitalization suspension period.

Capitalization of borrowing costs is stopped when the assets obtained from acquisition and construction or production meeting capitalization conditions reach the predetermined usable condition or salable condition.

When some items of the assets obtained from the acquisition and construction or production meeting capitalization conditions are separately completed and can be separately used, capitalization of borrowing expense of this asset part shall be stopped.

If each part of the assets obtained from the acquisition and construction or production is separately completed, but it can be used or sold to others only after overall completion, capitalization of borrowing cost of this asset shall be stopped at overall completion.

3. Suspension capitalization period

If any abnormal interruption appears during acquisition and construction or production of assets meeting capitalization conditions and the interruption exceeds 3 consecutive months, capitalization of borrowing expenses shall be suspended; If such interruption constitutes a procedure required to enable assets meeting capitalization conditions obtained from acquisition and construction or production to reach the predetermined usable condition or salable condition, capitalization of the borrowing expenses shall be continued. If the borrowing expenses occurred during interruption is confirmed as the current profit and loss, capitalization of borrowing expenses shall be continued after restarting asset acquisition and construction or production activities.

4. Calculation method of capitalized amount of borrowing costs

The specialized borrowing interest expense (deducting the interest income that is gained by the unused loan depositing in bank and the temporary investment income) and its auxiliary expenses are capitalized when the assets in acquisition and construction or meeting the capitalization standards reach the predetermined usable condition or salable condition.

The interest amount of the general borrowing to be capitalized shall be calculated and determined by the weighted average of the excess part of accumulative asset expenditures compared with the asset expenditures for special borrowing being multiplied by the capitalization rate of the general borrowing. The capitalization rate is determined based on the weighted average interest rate of general borrowings.

If there exists depreciation or premium of borrowing, confirm depreciation or premium amount to be amortized based on the effective interest method in each accounting period, and adjust interest amounts in each period.

(18)Intangible assets and development expenses

Intangible assets refer to the identifiable non-monetary assets without matter form owned or controlled by the Company, including land-use right, commercial software.

1. Initial measurement of intangible assets

The cost of outsourcing intangible assets, including purchase price, relevant taxes and charges and dues as well as other expenditures which are directly attributed to make intangible assets to the estimated purpose. If the price of purchasing intangible assets exceeds deferred payment under normal credit conditions and is of financing nature, the cost of intangible assets is determined based on the current value of the purchase price.

For the intangible assets obtained by debt restructuring that are paid by the debtors for debt, its entry value shall be confirmed on the basis of the fair value of the intangible assets. The balance between the book value of the debt restructuring and the fair value of the intangible assets paid for debt shall be included in the current profit and loss.

On the premise that the fair value of commercial essence and swap-in asset or swap-out asset in non-monetary asset exchange can be reliably calculated, the entry value of the intangible assets swapped from non-monetary asset is confirmed based on the fair value of swap-out assets, unless otherwise there is unambiguous evidence proving that the fair value of swap-in asset is more reliable; For non-monetary assets exchange not meeting the above premise, the book value of swap-out asset and relevant payable taxes are taken as the swap-in intangible asset cost, and not confirm profits and losses.

Entry value of intangible assets obtained from the merger of enterprises under the same control shall be confirmed based on book value of the merged party; Entry value of intangible assets obtained from the merger of enterprises under the different control shall be confirmed based on fair value.

Cost of internally developed intangible assets includes: materials consumed in developing the intangible assets, labor cost, registration fee, amortization of other patents and chartered rights used in development and interest expense meeting capitalization conditions, and other direct expenses spent to enable the intangible assets to realize the preset purposes.

2. Subsequent measurement of intangible assets

The Company analyzes and judges the service life upon obtaining intangible assets. The intangible assets are divided into that with limited service life and uncertain service life.

(1) Intangible assets with limited service life

The intangible assets with a limited service life shall be amortized through straight-line method within the time limit when the intangible assets can bring economic benefits to the enterprise. The expected service life and basis of intangible assets with a limited service life is shown as follows:

Item	Predicted service life	Basis
Land use right	50 years	Warrant period
Commercial software	5 years, 3 years	
Land contract and management right	50-70 years	

At the end of the period, recheck service life and the amortization method of intangible assets with the limited service life, and if there is different from original estimated data, conduct corresponding adjustment.

Through recheck, service life and amortization method of intangible assets at the end of the period are the same as the previous estimated value.

(2) Intangible assets with uncertain service life

However, the intangible assets will be considered to be the assets which have the uncertain service life as long as it is difficult to predicate the economic benefit period which is brought by the intangible assets for the Company. Intangible assets with uncertain service life are as follows:

Do not amortize intangible assets with uncertain service life within the holding period, and recheck the service life of intangible assets at the end of the period. If it is still uncertain after rechecking at the end of the period, the impairment test in each fiscal period can be conducted.

After review, the service life of this type of intangible assets is still uncertain.

3. Specific standards of research stage and development stage for classifying the Company's internal research and development projects

Research stage: A stage for original and planned investigations and researches to obtain and understand new science or technology knowledge.

Development stage: A stage of applying research achievements or other knowledge in a certain plan or design to produce materials, devices and products with new or substantial improvement before commercial production or use.

Expenditures during the research stage of the internal research and development item shall be included into current profit and loss when occurred;

4. Specific standards that meet capitalization in the development stage

Expenditure in the development stage of internal research and development programs which meets all the following conditions is confirmed as intangible assets:

- (1) It is technically feasible to complete the intangible assets to be used or sold;
- (2) It has the intention to complete the intangible assets and use or sell them;
- (3) Ways in which intangible assets generate economic benefits include the ability to prove that the products by such intangible assets exist in the market or that the intangible assets themselves exist in the market, and that the intangible assets will be used internally to prove their usefulness;

(4) Have sufficient technical, financial and other resources to support the development of the intangible asset and to be able to use or sell the intangible asset;

(5) Expenditures attributable to the development phase of the intangible asset can be reliably measured.

Expenditures failing to meet above conditions in the development stage shall be included in current profit and loss once incurred. The development expenditure included in profit and loss in prior period cannot be reconfirmed as the assets in the future. The capitalized expenditure in development period is listed as development expenditure in the balance sheet, and is converted into intangible assets since this project achieved expected serviceable condition.

(19) Long-term asset impairment

On the balance sheet date, the Company will judge whether long-term assets have signs that impairment is likely to occur. If the long-term capital has impairment trend, estimate its recoverable amount based on the single capital item; As for the single asset whose recoverable amount is difficult to be estimated, the recoverable amount of the asset group shall be confirmed based on the asset group it belongs to.

The recoverable amount shall be determined based on the higher one between the net amount of the fair value of the intangible assets deducting the disposal expenses and the present value of the expected future cash flow of the intangible assets.

When the measurement results of recoverable amount show that the recoverable amount of long-term assets is lower than its book value, the book value of long-term assets shall be reduced to the recoverable amount, the reduced amount shall be confirmed as asset impairment losses and be included into the current profits and losses, and the corresponding asset impairment reserves shall be calculated and withdrawn at the same time. Once the asset impairment loss is confirmed, it will not be reversed in following accounting periods.

After the impairment loss of intangible assets has been confirmed, the depreciation expenditures or amortization expense of the impaired intangible assets shall be adjusted accordingly in the future period to amortize the post-adjustment book value of the intangible assets systematically (deducting the expected net residual value) within the residual service life of the fixed assets.

No matter whether there is any sign of possible asset impairment, the goodwill formed by enterprise merger and intangible assets with uncertain useful service life shall be subject to impairment test every year.

During the impairment test, the book value of goodwill shall be apportioned to asset group or combination of asset group expected to benefit from the synergistic effect of enterprise merger. In the case of conducting impairment tests to relevant asset groups or asset group portfolios containing goodwill, if there exist impairment signs for asset groups or asset group portfolios

related to goodwill, it is required to firstly conduct impairment test to asset groups or asset group portfolios not containing goodwill, calculate recoverable amount, and compared with relevant book values to confirm the corresponding impairment loss. Then conduct the impairment test to asset groups or asset group portfolios containing goodwill, compare book values of these relevant asset groups or asset group portfolios (including the amortized book value of goodwill) with their recoverable amounts. If the recoverable amount of relevant asset groups or asset group portfolios is lower than book value, confirm impairment loss of the goodwill.

(20) Long-term unamortized expenses

1. Amortization method

The long-term unamortized expenses refer to the various expenses that have occurred but shall be burdened by the Company in the current period and all periods in the future, with the amortization period of 1 year or above. The long-term unamortized expenses shall be amortized in installments with the straight-line method within the benefit period.

(21) Employee remuneration

Employee remuneration refers to the remuneration or compensation in any form given to an employee for his/her services or release of the labor relationship with him/her by the Company. Employee remuneration includes short-term remuneration, welfare after departure, dismissal welfare and other welfare of long-term employees.

1. Short-term remuneration

Short-term remuneration refers to the employee remuneration paid by the Company in full within 12 months after the employee provides an annual report, excluding welfare after departure and dismissal welfare. During the accounting period in which employees provide services for the Company, confirm the payable short-term remuneration as liabilities, and include into related asset costs and expenses in accordance with the beneficiary that the employees serve.

2. Welfare after departure

Welfare after departure refers to various forms of remuneration and welfare after retirement or severing labor relation provided by the Company to receive the service provided by the employee, excluding short-term remuneration and dismissal welfare.

All the Company's welfare plan after demission is the defined contribution plan.

The defined contribution plan of welfare after departure mainly refers to basic endowment insurance and unemployment insurance provided by labor and social security organization. In the accounting period when the employee serves the Company, the deposited amount calculated based on defined contribution plan will be confirmed as liabilities and included into current profit and loss or the relevant asset costs.

The Company will not assume other payment obligations after paying the above amount as

per the national regulations.

3. Demission welfare

Dismissal welfare means the compensation for employees provided by the Company for the lifting of labor relation with such employees before labor contract expires or for encouraging them to voluntarily accept redundancy. The Company recognizes the liabilities resulting from the compensation given to those with whom the labor relation is severed and includes them in the current profits and losses at the earlier of the date when the Company does not unilaterally withdraw labor relation or make redundancy advice and the date when the relevant cost in relation to the payment of dismissal benefit is recognized.

The Employees of this Company who accept the early retirement arrangement shall be provided with the early retirement benefits. The early retirement benefits mean that the Employees who are willing to exit the working post and are approved by the management of this Company to retire earlier than the mandatory retirement age as required by the country, shall be provided with the payment of salary and social insurance premiums, etc. This Company shall provide the early retirement benefits for the early retirement Employee from the date of the early retirement arrangement to the normal retirement age. The company accounts for the early retirement benefit with reference with demission welfare. When the conditions of demission welfare are met, the early termination benefit will be paid in the period from the date when the Employee stops providing services to date of normal retirement. Such early retirement benefit will be recognized as liabilities and recorded in profit or loss. The differences arising from changes in actuarial assumption for early retirement benefits and adjustment on benefit standards shall be included into the current profits and losses upon occurrence.

4. Other long-term employee welfare

Other long-term employee welfares refer to all employee welfares excluding short-term remuneration, welfare after departure and dismissal welfare.

For other long-term employee's welfare conforming to the conditions of defined contribution plan, the Company shall confirm the amount to be deposited as liabilities and include it into the current profit and loss or related asset cost during the accounting period when the employees provide services for the Company.

(22) Estimated liabilities

1. Recognition standard of estimated liabilities

If the obligation related to contingencies satisfies the following conditions at the same time, the Company shall define it as the estimated liabilities;

The obligation is the current obligation undertaken by the Company;

The performance of this obligation is very likely to cause the outflow of economic benefits of the Company;

The amount of the obligation can be measured in a reliable manner.

2. Measurement method for the estimated liabilities

The initial measurement of the estimated liabilities of the Company shall be conducted as per the best estimate of the expenditure required to perform the relevant current obligation.

When the Company confirms the best estimate, the Company shall take risks related to contingencies uncertainty and values of currency and time into consideration. For the serious impact of currency, the best estimates shall be determined by discounting relevant future cash outflow.

The best estimate respectively treated in accordance with the following circumstances:

The required expenditures have a consecutive scope (or interval), and the possibility of all the results within this scope is the same, and the best estimate shall be confirmed as per the intermediate value of this scope namely the average of the top and bottom limitation.

The required expenditures do not have a consecutive scope (or interval), or have a consecutive scope, but the possibility of all the results within this scope is different. In case that the contingency involves single program, the best estimate shall be confirmed in accordance with the amount with the most possibility; In case that the contingency involves multiple programs, the best estimate shall be calculated and confirmed in accordance with the different results and related probability.

All or part of the prediction of the expenditure required by the Company to pay off the estimated liabilities shall be compensated by the third party, the compensation amount shall be confirmed separately as assets when it is confirmed that the compensation amount could be received. The confirmed compensation amount shall not exceed the book value of the estimated liabilities.

(23) Share-based payment

1. Share-based payment type

The share-based payment of the Company is divided into share-based payment settled by rights and interests and stock payment share-based payment settled by cash.

2. Determination method of the fair value of the equity instruments

As for the options and equity instrument existing in active market, it shall determine the fair value according to the quotation in active market. For equity instruments such as options granted without active market, the fair value shall be determined by option pricing model. The option pricing model shall consider the following factors: (1) Exercise price of options; (2) Option validity period; (3) Current price of underlying share; (4) Expected volatility of share price; (5) Expected dividend of shares; (6) Risk-free interest rate within the option validity period.

When determining the fair value on the grant date of equity instrument, consider the influence of market condition in the vesting conditions and non-vesting condition as stipulated in

the share-based payment agreement. In case of the non-vesting condition for stock payment, the service cost is confirmed to be gained only if the employee or other parties satisfied the non-market condition in all vesting conditions (e.g. service term).

3. Determination basis for the optimal estimates of the vesting equity instrument

As for each balance sheet date in the waiting period, it can make optimum estimation according to the variations in the number of employees and other subsequent information, in order to amend the amount of the equity instruments of the predicated vesting right. On the date of vesting right, the quantity of ultimate estimated vesting equity instrument shall be consistent with actual vesting right.

4. Accounting treatment method

The equity-settled share-based payment shall be measured based on the fair value of equity instruments granted to the employees. If the instrument is exercisable after conferring, it will be included into the costs or expenses based on the fair value of equity instrument on conferring date and the capital reserves will be increased. If the vesting right cannot be exercised until the service comes to an end in the vesting period or until the prescribed performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period should, based on the best estimates of the number of vested equity instruments, be included into relevant costs or expenses, and the capital reserves at the fair value of the equity instruments on the grant date. After the vesting date, the determined relevant cost or expenses and total amount of owner's equity shall not be adjusted.

A cash-settled share-based payment shall be measured in accordance with the fair value of liability calculated and confirmed based on the shares or other equity instruments undertaken by the company. If the vesting right is exercised immediately after granting, it shall be included into relevant costs or expenses based on the fair value of the liabilities undertaken by the company on grant date and the liabilities shall be increased accordingly. For share payment settled based on cash, If it can only be executed after completing services within the waiting period or meeting specified achievement conditions, on each balance sheet date within the waiting period, current services will be included into relevant cost or expenditure and liabilities based on the optimal estimation of quantity of executable equity and according to fair values of liability born by the company. The fair value of the liability is re-measured at the balance sheet date and the balance sheet date before the settlement of the related liabilities, and the change is included in the current profit and loss.

If the conferred equity instruments are canceled during waiting period, the company shall accelerate exercising the rights of the equity instruments. The amount recognized during the remaining waiting period shall be included into current profit and loss and the capital reserves shall be determined simultaneously. If the employee or other party can choose to meet the

non-vesting conditions but fails to meet in the waiting period, the Company will treat it as a cancellation of the equity instrument.

(24) Other financial instruments such as preferred shares and perpetual bond.

The Company shall classify financial instruments or its components into financial liabilities or equity instruments during the initial recognition, in accordance with contract terms of the issued financial instruments (preferred share, perpetual capital securities, etc.) and reflected economic essence in legal form and other forms, in combination with definitions of financial liabilities and equity instruments and based on the provisions of Accounting Standards of Financial Instruments:

1. In case of meeting one of the following conditions, the issued financial instruments can be classified as financial liabilities:

- (1) Contract obligation of paying cash or other financial assets to other parties;
- (2) The contractual obligations to exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions;
- (3) The contractual obligations to non-derivative instruments which must be settled or may be settled by the enterprise with its own equity instruments in the future, whereby the enterprise will deliver an unfixed amount of the equity instruments of its own according to the said contract;
- (4) The contractual obligations to non-derivative instruments which must be settled or may be settled by the enterprise with its own equity instruments in the future, except for derivative contracts which exchange fixed-amount cash or other financial assets with its own equity instruments.

2. In case of meeting all the following conditions at the same time, the issued financial instruments can be classified as equity instruments:

- (1) Such financial instruments do not include contract obligations of paying cash or other financial assets to other parties, or exchanging financial assets or financial liabilities with other parties under possible adverse conditions;
- (2) In case of being necessary or able to use enterprise with its own equity instrument to settle the financial instruments in the future, if the financial instrument is not derivative instrument, it does not include contract obligations of paying self-equity instrument variable in terms of number for settlement; If it is derivative instrument, the enterprise can only exchange the fixed-amount cash or other financial assets with fixed-amount self equity instrument to settle these financial instruments.

3. Accounting treatment method

For financial instruments classified as equity instruments, their interest expense or dividend distribution shall be regarded as profit distribution of the issuing enterprise, and buy-back, cancellation, etc. as fluctuation processing, and handling charge, commission and other transaction expenses shall be deducted from equity;

For financial instruments classified as financial liabilities, their interest expense or dividend distribution, by principle, shall be disposed as borrowing expenses, the income and loss generated from buy-back or redemption shall be included in current profit and loss, and count handling charge, commission and other transaction expenses into the initially calculated amount of the issued instrument.

(25) Income

1. Specific criteria for confirmation time of income from sales goods

The main risks and rewards of the goods ownership have been transferred by the company to the purchaser; the Company has neither retained the continuous management right associated with the ownership, nor exercised the effective control over the goods sold; The amount of incomes can be reliably measured; The relevant economic benefits are likely to flow into the enterprise; The realization of income from commodity sales will be confirmed when the relevant cost incurred or to be incurred can be reliably measured.

2. Basis for confirmation of income from assignment of asset use rights

The economic benefits related to transactions are likely to flow into the enterprise. When the income amount can be reliably measured, the income amount from the assignment of assets use right shall be confirmed separately according to the following conditions:

(1) The amount of interest income should be measured and confirmed in accordance with the length of time for which the enterprise's currency capital is used by others and the actual interest rate;

(2) The amount of royalty income shall be measured and confirmed in accordance with the time and method of charging as stipulated in the relevant contract or agreement.

3. Methods for confirming incomes from providing labor services

If the transaction result of the labor service can be evaluated reliably on the balance sheet date, the service income shall be confirmed through completion percentage method. The completion schedule of the transaction of the labor service shall be measured and confirmed as per the completed work.

The transaction results of services rendering can be reliably estimated, which means that the following conditions can be met at the same time:

(1) The amount of incomes can be reliably measured;

(2) The relevant economic benefits are likely to flow into the enterprise;

(3) The completion schedule of the transaction can be reliably determined;

(4) The relevant costs incurred or to be incurred in the transactions can be measured in a reliable way.

The Company will confirm the total income from rendering of services in accordance with the received or receivable price as stipulated in the contract or agreement unless the received or

receivable price as stipulated in the contract or agreement is unfair. The income from rendering of services in current period will be determined on the balance sheet date in accordance with the amount of the total income from rendering of services multiplying by the percentage of completion progress, then deducting the accumulated income from rendering of services recognized in previous accounting period; At the same time, the labor cost in current period will be carried forward in accordance with the amount of the total costs from rendering of services multiplying by the percentage of completion progress, then deducting the accumulated labor cost recognized in the previous accounting period.

On the balance sheet date, the transaction result of services rendering that cannot be estimated reliably shall be handled separately according to the following conditions:

(1) If the cost of labor service occurred is expected to be compensated, the income from rendering of services shall be confirmed in accordance with the amount of the cost of labor services occurred, and the cost of labor services shall be carried forward at the same amount.

(2) If the incurred labor costs are not expected to be compensated, the incurred labor cost should be included into current profits and losses, and the income from rendering of services should not be confirmed.

When contracts or agreements signed by the Company with other enterprises include sales of goods and rendering of services, if the part by sales of goods and rendering of services could be differentiated and could be separately calculated, deal with the part for sales of goods as sales of goods, and deal with the part for rendering of services as rendering of services. Where the part of sales of goods and rendering of labor services cannot be differentiated, or where they can be differentiated but not separately measured, both of them shall be handled as sales of goods.

4. Confirmation basis and method of construction contract income

(1) When the results of a construction contract can be estimated reliably, the relevant contract income and contract expense shall be determined according to the completion percentage method on the balance sheet date. The completion percentage method means a method by which the contractor recognizes its incomes and expenses in the light of the schedule of the contracted project. The completion schedule of the contract shall be determined by the proportion of the actually cumulative contract expense incurred to the total estimated costs of the contract.

The results of fixed price contract can be reliably estimated, which means that the following conditions can be met at the same time:

- 1) Total contractual income can be reliably measured;
- 2) The economic benefits related to the contract are likely to flow into the enterprise;
- 3) The contract costs actually incurred could be clearly differentiated and reliably measured;
- 4) Degree of completion of contract and cost incurred for the completion of contract could be reliably confirmed.

The transaction results of cost-plus contract can be reliably estimated, which means that the following conditions can be met at the same time:

- 1) The economic benefits related to the contract are likely to flow into the enterprise;
- 2) The contract costs actually incurred could be clearly differentiated and reliably measured.

The contract income in current period shall, on the balance sheet date, be recognized in accordance with the amount of the total contract income times the schedule of completion then deducting the accumulated income recognized in previous accounting period; At the same time, the contract expenses in current period shall be recognized in accordance with the amount of total estimated contract cost times the schedule of completion then deducting the accumulated expense recognized in previous accounting period. The changes on the contract project, claim for compensation and bonus shall be included into total contract income to the extent of the amount of bringing incomes and reliably calculated.

(2) If the results of the construction contract cannot be reliably estimated, it shall be handled as per the following situations:

1) If the contract costs are recoverable, the contract income shall be confirmed by the recoverable actual contract costs and the contract costs shall be confirmed as the contract expenses in current period when occurring.

2) If the contract costs cannot be recovered, it shall be immediately recognized as contract expenses rather than the confirmation of contract income at the time of occurrence.

(3) If the total contract cost is possible to exceed total contract income, the estimated losses shall be immediately recognized as the expenses.

5. Asset transfer with repurchase conditions

When the Company sells goods or transfers other assets, it will sign repurchase agreement about sold products or transferred assets with the purchaser. It can judge whether sold products meet income confirmation conditions or not in accordance with articles of the agreement. If after-sales repurchase belongs to the financing transaction, the Company shall not confirm sales income when delivering products or assets. If the repurchase price is larger than the balance of the sales price, it shall calculate and withdraw interest during the repurchase period and shall be included in financial expenses.

(26) Governmental subsidies

1. Type

Government subsidies is the monetary and non-monetary assets that the Company obtains from the government for free. According to the subsidy object stipulated in relevant government documents, the government subsidies are divided into the government subsidy related to assets or one related to income.

The government subsidies pertinent to assets mean the government assets that are obtained by

the Company used for purchase or construction, or forming the long-term assets by other ways. Government subsidies related to gain refer to government subsidies other than government subsidies related to assets.

2. Confirmation of government subsidies

The government subsidies shall be recognized according to the amount receivable as long as there is evidence that the Company can satisfy the fiscal supporting policies and obtain the fiscal supporting funds according to the estimated plan. In addition, the government subsidies will be recognized during the actual reception.

If the government subsidies are monetary asset, it will be measured at the received amount or the amount receivable. If the government subsidies are non-monetary assets, it shall be measured by the fair value; When the fair value cannot be reliably acquired, it shall be measured in accordance with the nominal amount (RMB 1). The government subsidies measured by the nominal amount shall be directly included in current profit and loss.

3. Accounting treatment method

Based on the essence of economic business, the Company determines whether a certain type of government subsidy business shall be subject to the accounting treatment by using the gross method or the net method. In general, the Company only chooses one method for the same type of or similar government subsidy business, and this method is consistently applied to the business.

The governmental subsidies related to assets shall offset the book value of the relevant assets or be recognized as deferred income. Government subsidy related to asset which is considered as deferred income shall be included in the profit and loss by installment in a reasonable and systematic way within the service life of the build or purchased assets.

The government subsidies related to income shall be recognized as the deferred income if it is used to compensate the relevant expenses or losses in the later period of the enterprise and included in the current profits or losses (or offset relevant losses) in the period of confirming the related expenses or losses. The government grants related to income shall be directly included in the current profits and losses or offset related costs while acquiring if it is used to compensate for the related expenses or losses of enterprises.

The government subsidies related to the daily activities of the enterprise will be included in other incomes or offset the relevant costs; Government subsidies irrelevant to the company's daily activities shall be counted into non-operating income and expense.

The government subsidies received in relation to the discounted interests of the policy-based preferential loan shall be used to offset the relevant borrowing costs; for the loan with the policy-based preferential interest rate obtained from provision of the loan bank, the actually-received borrowing amount shall be deemed to be the entry value of the borrowing, and the relevant borrowing costs shall be calculated based on the borrowing principal and the

policy-based preferential interest rate.

When the recognized government subsidies need to be returned, if the book value of relevant assets is offset during the initial recognition, it shall be adjusted. If there is the deferred revenue balance concerned, the book balance of the deferred revenue shall be offset, but the excessive part shall be included in the current profits and losses. If there is no relevant deferred incomes, it shall be directly included in the current profit and loss.

(27) Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and liabilities are calculated and recognized based on the balance (temporary differences) arising between the tax bases of assets and liabilities and the book value thereof. On the balance sheet date, deferred income tax assets and deferred income tax liabilities shall withdraw or pay off the applicable tax rate measurement according to expectation.

1. Basis to confirm deferred income tax assets

The Company may confirm the deferred income tax assets generated from the deductible temporary difference with income tax payable which is possible to deduct deductible temporary difference and carry over the deductible losses and taxes in future years. However, the deferred income tax assets shall not be confirmed in the initial recognition of the assets or liabilities in transactions having the following features: (1) The transaction is not enterprise consolidation; (2) At the time of transaction, the accounting profits will not be affected, nor will taxable income or deductible losses be affected.

As for deductible temporary difference related to the investment by subsidiaries with joint venture, as well as those satisfy the following conditions simultaneously, the corresponding deferred income tax assets can be confirmed: Temporary differences are likely to be reversed in the foreseeable future, and it is likely that future taxable income will be used to offset deductible temporary differences.

2. Basis to confirm deferred income tax liabilities

The Company shall confirm the due but unpaid taxable temporary difference in current period and previous period as deferred income tax liabilities, While the following are not included:

- (1) Temporary difference upon initial confirmation of goodwill;
- (2) Temporary difference from transaction or matter of non-enterprise consolidation which may not influence accounting profits and taxable income (or deductible losses);
- (3) As for the taxable temporary difference related to the investment by the subsidiary and joint venture, its reversal time can be controlled, and the temporary difference probably will not reverse in the predictable future.

3. When the following conditions are met simultaneously, the deferred income tax assets and deferred income tax liabilities will be listed with the net amount after offsetting:

- (1) The enterprise has the legal right to obtain the current income tax assets and current

income tax liabilities settled by net amount.

(2) The deferred income tax assets and liabilities are related to the income tax collected by the same taxpaying body or the different taxpaying body by the same department of tax collection and management. When the deferred income tax assets and liabilities are turned back in the future, the involved taxpaying body intends to settle current income tax assets and liabilities or simultaneously acquire assets and pay off liabilities by net amount.

(28) Lease

If the all risks and remunerations related to the ownership of leasing assets are transferred to lessee by the leasing clauses in essence, such lease is of financing lease, and other leases are of operating lease.

1. Accounting treatment of operating lease

(1) Leased-in operating assets

The leasing fee paid by the Company on the leased-in assets is directly allocated based on the straight-line method and included in current period charges in the whole lease term without deducting the rent-free period. The initial direct expenses related to leasing paid by the Company are included into the expenses of the current period.

Where the assets' lessor bears the expenses related to the lease that shall be undertaken by the Company, the Company shall deduct such expenses from the total rent, and allocated the lease expenses after the deduction, and then make them included in the current expense in the lease term.

(2) Leased-out operating assets

The leasing fee received by the Company on the leased-out assets is directly allocated based on the straight-line method and included in rental incomes in the whole lease term without deducting the rent-free period. The initial direct expenses related to leasing paid by the Company are included into the expenses of the current period; The larger amount shall be capitalized, and included in the current income in installments based on the same basis as for confirmation of lease income during the entire rental term.

Where the Company bears the expenses related to lease that shall be undertaken by the lessee, the Company shall deduct such expenses from the total lease income and allocate the lease expenses after deduction in the lease term.

2. Accounting treatment of financing lease

(1) Financing leased-in assets: At the lease starting date of the Company, the fair value of the leased asset or present value of the minimum lease payment (whichever is lower) will be taken as the entry value of the leased asset, the minimum lease payment will be taken as the entry value of long-term payables and the difference will be taken as unconfirmed financing expenses. See Note IV/(XV) Fixed Assets for the basis of identification, pricing and depreciation method of financial

leased-in assets.

In case the Company takes the effective interest method for the amortization of unrecognized financing expenses in the period of the asset lease term and includes them in the financial expenses.

(2) Financing leased-out assets: on the commencement date of the lease, the Company recognizes the financing lease payment receivable and the balances between the unguaranteed residual value sum and the present value as the unrealized financing income, and recognizes them as the lease income in all periods when receiving the rent in the future. The initial direct expenses related to the Company's lease transactions shall be included into the initial measurement of the financing lease payment and the recognized income amount in the lease term shall be reduced.

(29) Discontinuing operation

If this Company meets one of the following conditions and the constituent part has been disposed or classified into the held-for-sale category, the constituent part that can be separately distinguished shall be recognized as the constituent part of the discontinued operation:

(1) Such constituent part represents a kind of independent main business or a single main business place.

(2) The component is a part of an associated plan for disposal of an independent main business or a single main business place.

(3) The component is the subsidiary obtained specially for resale.

The impairment loss and return amount of the discontinued operation and other operating profits and losses, disposal profits and losses shall be listed as the discontinued operation profits and losses in the profit statement.

(30) Changes of significant accounting policies and accounting estimates

1. Changes in accounting policies

No important changes in accounting policies in this report period.

2. Changes in accounting estimates

The main accounting estimates in this reporting period have no changes.

V. Tax

(1) Main tax category and tax rates of the Company

Tax type	Taxation basis	Tax rate
Added-value tax	Sales turnover	1. As for assessable income, calculate the output tax as per the tax rate of 13% and 9%, and calculate and pay the VAT as per the balance after deduction of current permitted input tax. 2. The tax is calculated and paid according to the simple method of 5% or 3% of sales.

Tax type	Taxation basis	Tax rate
Urban maintenance and construction tax	Turnover tax payable	7%
Education surcharges	Turnover tax payable	3%
Local education surcharges	Turnover tax payable	2%
Enterprise income tax	Taxable income	25%

VI. Notes to main items in consolidated financial statement

(Unless otherwise specified, following monetary unit is RMB)

Note 1. Monetary capital

Item	Ending balance	Beginning balance
Cash on hand	545.33	1,285.33
Deposit in bank	2,208,459,337.59	4,252,468,171.69
Other monetary capitals	2,003,001,300.00	2,533,810,910.93
Total	4,211,461,182.92	6,786,280,367.95
Wherein: The total amount of payments deposited overseas		

Up to December 31, 2020, the company had involved pledged and freezing funds or the funds with potential withdrawal risks.

Of which the restricted monetary capital were as follows:

Item	Ending balance	Beginning balance
Cash deposit of bankers' acceptance bill	230,000,000.00	1,190,000,000.00
Pledge of loan and deposit certificate	1,181,123,300.00	1,280,200,000.00
L / C margin deposit	587,168,000.00	
Bank of Nanjing deposit- Import and export bank loans		58,910,910.93
Other cash deposits	4,710,000.00	4,700,000.00
Total	2,003,001,300.00	2,533,810,910.93

Note 2. Notes receivable

1. Classification of bill receivable

Item	Ending balance	Beginning balance
Bank's acceptance bills	219,750,000.00	200,000.00
Commercial acceptance bill		
Total	219,750,000.00	200,000.00

2. The notes receivable that the company has pledged at the end of the period

None.

2. Bills receivable that the company has endorsed or discounted and has not yet expired within the balance sheet date at the end of the period

None.

Note 3. Accounts receivable

1. Classification disclosure of accounts receivable

Type	Ending balance				
	Book balance		Bad debt reserves		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable of significant single amount and with singly withdrawn bad debt reserves					
Accounts receivable with provision for bad debt on portfolio with credit risk features:	40,161,759.33	100.00	8,138,472.77	20.26	32,023,286.56
Wherein: Portfolio of account age	37,019,341.80	92.18	8,138,472.77	21.98	28,880,869.03
Riskless portfolio	3,142,417.53	7.82			3,142,417.53
Accounts receivable with single insignificant amount and withdrawing bad-debt provision of single amount					
Total	40,161,759.33	100.00	8,138,472.77	20.26	32,023,286.56

Continued:

Type	Beginning balance				
	Book balance		Bad debt reserves		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable of significant single amount and with singly withdrawn bad debt reserves					
Accounts receivable with provision for bad debt on portfolio with credit risk features:	515,717,181.95	100.00	14,563,454.74	2.82	501,153,727.21
Wherein: Portfolio of account age	180,322,820.37	34.97	14,563,454.74	8.08	165,759,365.63
Riskless portfolio	335,394,361.58	65.03			335,394,361.58
Accounts receivable with single insignificant amount and withdrawing bad-debt provision of single amount					
Total	515,717,181.95	100.00	14,563,454.74	2.82	501,153,727.21

2. Classification instruction of accounts receivable

(1) Accounts receivable at the end of the period of significant single amount and with singly withdrawn bad debt reserves

None.

(2) In the portfolio, the accounts receivable withdrawn for bad-debt provision based on account receivable age analysis method

Account age	Ending balance		
	Accounts receivable	Bad debt reserves	Withdrawal proportion (%)
Within 1 year (including 1 year)	24,963,978.60	1,248,189.93	5.00
1-2 years (including 2 years)	3,042,236.00	304,223.60	10.00
2-3 years (including 3 years)	3,467,252.80	1,040,175.84	30.00
Over 3 years	5,545,874.40	5,545,874.40	100.00
Total	37,019,341.80	8,138,472.77	

3. Bad debt provision withdrawn, recovered or reversed in the current period

The reversed bad-debt provision amount is RMB 6,424,981.97 in the current period.

4. Conditions about accounts receivable actually verified in this report period

None.

5. Accounts receivable of the top five among ending balance collected by the debtor

Unit name	Ending balance	Proportion in ending balance of accounts receivable (%)	Bad-debt provisions with withdrawal
CNCMC	13,383,962.82	33.33	669,198.14
Jiangsu Guorui Auto Parts Co., Ltd.	6,900,000.00	17.18	345,000.00
Taizhou Kaxiruo Entertainment Equipment Co., Ltd.	3,165,318.00	7.88	3,165,318.00
Taizhou High-tech Zone Kangju Construction Development Co., Ltd.	2,256,254.65	5.62	112,812.73
Jinhua Hongsheng Landscaping Co., Ltd.	1,986,750.00	4.95	596,025.00
Total	27,692,285.47	68.96	4,888,353.87

Note4. Advance payment

1. Advance payment presentation according to aging

Account age	Ending balance		Beginning balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (including 1 year)	182,278,374.79	22.57	378,786,516.02	55.13
1-2 years (including 2 years)	377,215,356.56	46.70	135,120,451.02	19.67

Account age	Ending balance		Beginning balance	
	Amount	Proportion (%)	Amount	Proportion (%)
2-3 years (including 3 years)	130,170,152.97	16.11	8,727,190.00	1.27
Over 3 years	118,137,514.98	14.62	164,390,107.99	23.93
Total	807,801,399.30	100.00	687,024,265.03	100.00

2. Prepayment condition of the first five of ending balance collected by the advance payment object:

Unit name	Ending amount	Proportion (%) in total advance payment	Nature of payment
Taizhou Finance Bureau	346,673,200.00	42.92	Land payment
Taizhou Land Resources Bureau Pharmaceutical High-tech Zone Branch	86,414,537.10	10.70	Land fees
Jiangsu Huafei Construction Group Co., Ltd.	77,840,194.77	9.64	Project funds
Taizhou Medical New & High-tech Industrial Development Zone Finance Bureau	50,021,205.00	6.19	Land compensation
Jiangsu Electric Power Company Taizhou Power Supply Company	29,916,914.64	3.70	Electric charge paid in advance
Total	590,866,051.51	73.15	

Note5. Other receivables

Item	Ending balance	Beginning balance
Interests receivable		
Dividends receivable		
Other receivables	17,102,167,915.76	11,938,142,628.63
Total	17,102,167,915.76	11,938,142,628.63

Note: Other receivables in the table above refer to other receivables after deducting interests receivable and dividends receivable.

(1) Other receivables

1. Classified disclosure of other receivables

Type	Ending balance				
	Book balance		Bad debt reserves		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other receivables of significant single amount and with singly withdrawn bad debt reserves					
Accounts receivable with	17,112,179,633.79	100.00	10,011,718.03	0.06	17,102,167,

Type	Ending balance				
	Book balance		Bad debt reserves		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
provision for bad debt on portfolio with credit risk features:					915.76
Wherein: Portfolio of account age	27,674,238.65	0.16	10,011,718.03	36.18	17,662,520.62
Riskless portfolio	17,084,505,395.14	99.84			17,084,505,395.14
Other receivables with single insignificant amount and withdrawing bad-debt provision of single amount					
Total	17,112,179,633.79	100.00	10,011,718.03	0.06	17,102,167,915.76

Continued:

Type	Beginning balance				
	Book balance		Bad debt reserves		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other receivables of significant single amount and with singly withdrawn bad debt reserves					
Other receivables with provision for bad debt on portfolio with credit risk features:	11,947,466,092.23	100.00	9,323,463.60	0.08	11,938,142,628.63
Wherein: Combination of account age analysis	20,340,600.91	0.17	9,323,463.60	45.84	11,017,137.31
Riskless portfolio	11,927,125,491.32	99.83			11,927,125,491.32
Other receivables with single insignificant amount and withdrawing bad-debt provision of single amount					
Total	11,947,466,092.23	—	9,323,463.60	—	11,938,142,628.63

2. Classified instruction of other receivables

(1) Other receivables with single significant amount and individual withheld provision for bad debts at the end of the period

None.

(2) In the portfolio, the accounts receivable withdrawn for bad-debt provision based on account receivable age analysis method

Account age	Ending balance		
	Accounts receivable	Bad debt reserves	Withdrawal proportion (%)
Within 1 year (including 1 year)	7,411,517.00	370,575.85	5.00

Account age	Ending balance		
	Accounts receivable	Bad debt reserves	Withdrawal proportion (%)
1-2 years (including 2 years)	11,483,171.30	1,148,317.13	10.00
2-3 years (including 3 years)	409,607.57	122,882.27	30.00
Over 3 years	8,369,942.78	8,369,942.78	100.00
Total	27,674,238.65	10,011,718.03	

3. Bad debt provision withdrawn, recovered or reversed in the current period

The bad-debt provision amount withdrawn during the current period is RMB 688,254.43;
Bad debt provision has not been recovered or reversed.

4. Conditions about other receivables actually verified in this report period

None.

5. The situation of the other receivables of the top five among the ending balance collected by the debtor

Unit name	Nature of payment	Ending balance	Account age	Proportion in ending balance of other receivables (%)	Bad debt reserves Ending balance
Taizhou Port Development Company	Receivables and payables	9,724,470,377.97	Within 1 year	56.83	
Taizhou Economic Development Zone Management Committee	Receivables and payables	3,601,509,921.90	Within 1 year, 1-2 years, 2-3 years	21.05	
Taizhou Mingda Infrastructure Co., Ltd.	Receivables and payables	2,431,117,594.49	Within 1 year	14.21	
Taizhou Medical New & High-tech Industrial Development Zone Management Committee	Receivables and payables	300,000,000.00	Within 1 year	1.75	
Taizhou Xinsheng (Housing) Demolition Co., Ltd.	Receivables and payables	228,971,141.88	Over 3 years	1.34	
Total		16,286,069,036.24		95.18	

Note6. Inventory

1. Classification of inventory

Item	Ending balance			Beginning balance		
	Book balance	Falling price reserves	Book value	Book balance	Falling price reserves	Book value
Inventory goods	737,171,444.18		737,171,444.18	74,444,100.62		74,444,100.62

Item	Ending balance			Beginning balance		
	Book balance	Falling price reserves	Book value	Book balance	Falling price reserves	Book value
Low-value consumables	248,740.52		248,740.52	353,011.85		353,011.85
Development cost	10,272,192,719.27		10,272,192,719.27	2,572,916,541.97		2,572,916,541.97
Land to be developed	1,658,188,695.10		1,658,188,695.10	1,915,889,692.10		1,915,889,692.10
Total	12,667,801,599.07		12,667,801,599.07	4,563,603,346.54		4,563,603,346.54

Note7.Non-current assets due within one year

Item	Ending balance	Beginning balance
Long-term receivables due within one year	196,566,090.95	201,857,501.17
Total	196,566,090.95	201,857,501.17

Note8.Other current assets

Item	Ending balance	Beginning balance
Prepaid tax	138,317,979.19	115,619,751.11
Entrusted loan	200,000,000.00	
Total	338,317,979.19	115,619,751.11

Note9.Available-for-sale financial assets

1. Situation of available-for-sale financial assets

Item	Ending balance			Beginning balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Available-for-sale liability instrument						
Available-for-sale equity instrument						
Measured by fair value						
Measured by cost	1,601,651,008.12		1,601,651,008.12	833,254,300.00		833,254,300.00
Other						
Total	1,601,651,008.12		1,601,651,008.12	833,254,300.00		833,254,300.00

2. Equity instruments measured by costs at the end of the period

Invested unit	Shareholding ratio in the invested organization (%)	Book balance			
		Beginning balance	Increase in the current period	Decrease in the current period	Ending balance

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Invested unit	Shareholding ratio in the invested	Book balance			
Taizhou Xinsheng Investment Co., Ltd.	10.00	4,500,000.00			4,500,000.00
Taizhou Medical New & High-tech Co., Ltd.	10.00	364,154,300.00			364,154,300.00
Taizhou Xintai CITIC Equity Investment Fund Partnership (Limited Partnership)	69.43	310,000,000.00	140,000,000.00	11,665,891.88	438,334,108.12
Taizhou Great Wall Automobile Industry Development Investment Fund (Limited Partnership)	7.50	150,000,000.00			150,000,000.00
Taizhou Yangtze River Ecological Environmental Development Fund (Limited Partnership)	4.50	4,500,000.00			4,500,000.00
Taizhou Xinsheng Housing Demolition Co., Ltd.	6.92	100,000.00			100,000.00
Taizhou Zhenxin Energy Technology Co., Ltd.	51.00		1,000,000.00		1,000,000.00
Taizhou Xintai Emerging Industry Development Fund (Limited Partnership)	99.40		499,000,000.00		499,000,000.00
Trust protection fund			140,062,600.00		140,062,600.00
Total		833,254,300.00	780,062,600.00	11,665,891.88	1,601,651,008.12

Continued:

Invested unit	Depreciation reserves				Cash dividend in the current period
	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance	
Taizhou Xinsheng Investment Co., Ltd.					
Taizhou Medical New & High-tech Co., Ltd.					
Taizhou Xintai CITIC Equity Investment Fund Partnership (Limited Partnership)					3,134,668.36
Taizhou Great Wall Automobile Industry Development Investment Fund (Limited Partnership)					
Taizhou Yangtze River Ecological Environmental Development Fund (Limited Partnership)					176,887.50
Taizhou Xinsheng Housing Demolition Co., Ltd.					
Taizhou Zhenxin Energy Technology Co., Ltd.					
Taizhou Xintai Emerging Industry Development Fund (Limited Partnership)					
Trust protection fund					
Total					3,311,555.86

Other instructions:

Although Xintai Group's shareholding ratios of Taizhou Xintai CITIC Equity Investment Fund Partnership (Limited Partnership), Taizhou Zhenxin Energy Technology Co., Ltd. and Taizhou Xintai Emerging Industry Development Fund (Limited Partnership) are more than 50%, the company does not lead the above companies' major business decisions and has no control right.

Note10. Long-term receivables

Item	Ending balance			Beginning balance		
	Book balance	Bad debt reserves	Book value	Book balance	Bad debt reserves	Book value
Taizhou Economic Development Zone Management Committee	757,847,531.09		757,847,531.09	1,074,413,622.04		1,074,413,622.04
Total	757,847,531.09		757,847,531.09	1,074,413,622.04		1,074,413,622.04

Note11. Long-term equity investment

Invested unit	Beginning balance	Increase/decrease changes in the current period			
		Additional investment	Negative investment	Profits and losses on investment confirmed by equity method	Adjustments of other comprehensive incomes
I. Joint enterprises					
Subtotal					
II. Joint venture					
Taizhou Medical New & High-tech Industrial Development Zone Urban Reconstruction Development Co., Ltd.	30,305,408.67			18,142.72	
Jiangsu Xinrui New Energy Automotive Technology Co., Ltd.	123,692,818.04			-42,682,302.95	
Taizhou Shenhe Real Estate Development Co., Ltd.	48,000,000.00				
Subtotal	201,998,226.71			-42,664,160.23	
Total	201,998,226.71			-42,664,160.23	

Continued:

Invested unit	Increase/decrease changes in the current period				Ending balance	Ending balance of depreciation reserves
	Changes of other equities	Cash dividends or profits announced to issue	Withdrawn depreciation reserves	Other		
I. Joint enterprises						
Subtotal						
II. Joint venture						
Taizhou Medical New & High-tech Industrial Development Zone Urban Reconstruction Development Co., Ltd.					30,323,551.39	
Jiangsu Xinrui New Energy Automotive Technology Co., Ltd.					81,010,515.09	
Taizhou Shenhe Real Estate Development Co., Ltd.					48,000,000.00	
Subtotal					159,334,066.48	
Total					159,334,066.48	

Note12. Investment real estate

1. Conditions of investment property

Item	Houses and buildings	Land use right	Total
I. Beginning balance	357,526,000.00	4,800,012,000.00	5,157,538,000.00
II. Change in the current period			
1. Outsourcing increase			
2. Transferred from inventory\fixed assets\construction in progress	2,024,252,051.00		2,024,252,051.00
3. Enterprise merger under the different control			
4. Shareholders' investment increase			
5. Converted difference in the foreign currency statements			
6. Other causes increase			
7. Disposal decrease			
8. Disposal of subsidiaries			
9. Assets classified as held for sale			
10. Reduction by other reasons			
11. Changes in fair value	19,409,000.00	43,593,000.00	63,002,000.00
III. Ending balance	2,401,187,051.00	4,843,605,000.00	7,244,792,051.00

2. Conditions of Investment-oriented real estates without completed property right certificates

None.

Note13. Fixed assets

Item	Ending balance	Beginning balance
Fixed assets	1,060,637,618.55	1,086,445,719.48
Disposal of fixed assets		
Total	1,060,637,618.55	1,086,445,719.48

(1) Main fixed assets

1. Fixed assets condition

Item	Houses and buildings	Office equipment	Means of transport	Electronic equipment	Other equipment	Total
I.Original book value						
1. Beginning balance	1,131,698,836.73	1,695,057.17	1,566,735.92	1,281,392.91	9,314,355.39	1,145,556,378.12
2. Increased amount in the current period		51,702.92	537,168.15	153,671.99	836,827.88	1,579,370.94
Acquisition		51,702.92	537,168.15	153,671.99	836,827.88	1,579,370.94

Item	Houses and buildings	Office equipment	Means of transport	Electronic equipment	Other equipment	Total
Transfer of project under construction						
3. Decreased amount in the current period		447,300.00				447,300.00
Disposal or retirement		447,300.00				447,300.00
Financial leasing						
4. Ending balance	1,131,698,836.73	1,299,460.09	2,103,904.07	1,435,064.90	10,151,183.27	1,146,688,449.06
II. Accumulated depreciation						
1. Beginning balance	53,125,062.10	684,983.15	1,473,231.70	709,562.06	3,117,819.63	59,110,658.64
2. Increased amount in the current period	25,434,101.97	248,522.63	70,616.00	204,573.54	1,056,721.46	27,014,535.60
Withdrawal for the current period	25,434,101.97	248,522.63	70,616.00	204,573.54	1,056,721.46	27,014,535.60
3. Decreased amount in the current period		74,363.73				74,363.73
Disposal or retirement		74,363.73				74,363.73
Disposal of subsidiaries						
4. Ending balance	78,559,164.07	859,142.05	1,543,847.70	914,135.60	4,174,541.09	86,050,830.51
III. Depreciation reserves						
1. Beginning balance						
2. Increased amount in the current period						
Reclassification						
Withdrawal for the current period						
3. Decreased amount in the current period						
Disposal or retirement						
Other decreases						
4. Ending balance						
IV. Book value						
1. Ending book value	1,053,139,672.66	440,318.00	560,056.37	520,929.30	5,976,642.18	1,060,637,611.51

Item	Houses and buildings	Office equipment	Means of transport	Electronic equipment	Other equipment	Total
		4				8.55
2. Beginning book value	1,078,573,774.63	1,010,074.02	93,504.22	571,830.85	6,196,535.76	1,086,445,719.48

2. Fixed assets temporarily idle at the end of the period

None.

3. The fixed assets rented out through operating leasing

Item	Ending book value
Houses and buildings	881,821,068.63
Total	881,821,068.63

4. The fixed assets that have no property right certificates at the end of the period.

Item	Book value	Reasons for the failure to complete property right certificates
Houses and buildings	213,675,002.53	Be handling
Total	213,675,002.53	

Note14. Projects in process

Item	Ending balance	Beginning balance
Projects in process	14,215,397,833.78	21,769,589,999.31
Project materials		
Total	14,215,397,833.78	21,769,589,999.31

Note: The construction in progress in the above table refers to the construction in progress after deducting engineering materials.

(1) Projects under construction

1. Situation of construction in process

Item	Ending balance			Beginning balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Infrastructure construction project	13,902,853,775.31		13,902,853,775.31	21,472,963,285.66		21,472,963,285.66
Sewage treatment plant transformation and pipe network engineering	310,706,218.60		310,706,218.60	296,383,123.89		296,383,123.89
Transport sorting and comparison project in the same screen	243,589.76		243,589.76	243,589.76		243,589.76
Taizhou International Auto City Commercial Complex	932,716.84		932,716.84			

Item	Ending balance			Beginning balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Decoration and Renovation of Office Area (Tianhong Road)	497,665.42		497,665.42			
Reuse water utilization project	163,867.85		163,867.85			
Total	14,215,397,833.78		14,215,397,833.78	21,769,589,999.31		21,769,589,999.31

2. Change of major construction in process in current period

Project title	Beginning balance	Increase in the current period	Transferred in during this period Inventory	Other decrease in the current period	Ending balance
Infrastructure construction project	21,472,963,285.66	1,124,508,380.58	7,617,390,893.05	1,077,226,997.88	13,902,853,775.31
Sewage treatment plant transformation and pipe network engineering	296,383,123.89	14,323,094.71			310,706,218.60
Transport sorting and comparison project in the same screen	243,589.76				243,589.76
Taizhou International Auto City Commercial Complex		932,716.84			932,716.84
Decoration and Renovation of Office Area (Tianhong Road)		497,665.42			497,665.42
Reuse water utilization project		163,867.85			163,867.85
Total	21,769,589,999.31	1,140,425,725.40	7,617,390,893.05	1,077,226,997.88	14,215,397,833.78

Note15. Intangible assets

1. Intangible assets situation

Item	Land use right	Land contract and management right	Software	Total
I.Original book value				
1. Beginning balance	136,185,092.70	2,163,099,841.00	39,300.00	2,299,324,233.70
2. Increased amount in the current period			622,522.33	622,522.33
Acquisition			622,522.33	622,522.33
Internal R&D				
Enterprise merger under the different control				
Shareholders' investment				
Converted difference in the foreign currency statements				
Transfer of project under construction				
Other causes increase				
3. Decreased amount in the				

Item	Land use right	Land contract and management right	Software	Total
current period				
Disposal				
Disposal of subsidiaries				
Assets classified as held for sale				
Reduction by other reasons				
4. Ending balance	136,185,092.70	2,163,099,841.00	661,822.33	2,299,946,756.03
II. Accumulated amortization				
1. Beginning balance	7,161,714.01	85,195,662.49	39,300.00	92,396,676.50
2. Increased amount in the current period	1,832,890.48	33,541,897.08	175,331.72	35,550,119.28
Withdrawal for the current period	1,832,890.48	33,541,897.08	175,331.72	35,550,119.28
Enterprise merger under the different control				
Converted difference in the foreign currency statements				
Shareholders' investment				
Other causes increase				
3. Decreased amount in the current period				
Disposal				
Disposal of subsidiaries				
Assets classified as held for sale				
Reduction by other reasons				
4. Ending balance	8,994,604.49	118,737,559.57	214,631.72	127,946,795.78
III. Depreciation reserves				
1. Beginning balance				
2. Increased amount in the current period				
Withdrawal for the current period				
Enterprise merger under the different control				
Converted difference in the foreign currency statements				
Shareholders' investment				
Other causes increase				
3. Decreased amount in the current period				
Disposal of subsidiaries				
Assets classified as held for sale				
Transfer				
Reduction by other reasons				

Item	Land use right	Land contract and management right	Software	Total
Other transfer-out				
4. Ending balance				
IV.Book value				
1. Ending book value	127,190,488.21	2,044,362,281.43	447,190.61	2,171,999,960.25
2. Beginning book value	129,023,378.69	2,077,904,178.51	-	2,206,927,557.20

2. Land use right and land contractual management right without property right certificates

Item	Book value	Reasons for the failure to complete property right certificates
Land contract and management right	2,044,362,281.43	Land contract management certificate under the name of rural collective
Total	2,044,362,281.43	

Note16. Goodwill

1. Original book value of goodwill

Name of the invested unit and matters generating goodwill	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
		Formation of business combination	Disposal	
Jiangsu Jiasheng Construction & Development Co., Ltd.	1,597,499.94			1,597,499.94
Taizhou Xinyuan Logistics Co., Ltd	98,863.21			98,863.21
Total	1,696,363.15			1,696,363.15

Note17. Long-term unamortized expenses

Item	Beginning balance	Increase amounts in the current period	Amortized amount in the current period	Other decrease amounts	Ending balance
Renovation expenses	1,355,142.83		1,355,142.83		
Software service		271,445.65	22,620.45		248,825.20
Warehouse rental fee		1,000,000.00	59,523.81		940,476.19
Warehouse reconstruction fee		1,089,045.60	45,588.38		1,043,457.22
Total	1,355,142.83	2,360,491.25	1,482,875.47		2,232,758.61

Note18. Deferred income tax assets and deferred income tax liabilities

1. Deferred income tax assets without offset

Item	Ending balance		Beginning balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets

Item	Ending balance		Beginning balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Preparation for the impairment of assets	18,150,190.84	4,537,547.71	23,886,918.34	5,971,729.59
Total	18,150,190.84	4,537,547.71	23,886,918.34	5,971,729.59

2. Deferred income tax liabilities without offset

Item	Ending balance		Beginning balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Changes in fair value	2,380,761,597.80	595,190,399.45	2,039,515,105.72	509,878,776.43
Total	2,380,761,597.80	595,190,399.45	2,039,515,105.72	509,878,776.43

Note19. Other non-current asset

Category and content	Ending balance	Beginning balance
Prepaid tax	353,789,417.22	361,405,876.06
Total	353,789,417.22	361,405,876.06

Note20.Short-term loans

1. Classification of short-term borrowing

Item	Ending balance	Beginning balance
Pledge loan	100,000,000.00	98,770,000.00
Guaranteed loan	1,320,000,000.00	1,975,400,000.00
Borrow money on credit	199,445,920.00	
Bill discounted loan	50,000,000.00	970,000,000.00
Total	1,669,445,920.00	3,044,170,000.00

Note21. Notes payable

Item	Ending balance	Beginning balance
Bank's acceptance bills	410,000,000.00	270,000,000.00
Commercial acceptance bill	1,000,000,000.00	
Total	1,410,000,000.00	270,000,000.00

Note22. Accounts payable

Account age	Ending balance	Beginning balance
Within 1 year (including 1 year)	662,491,626.64	62,002,201.38
1-2 years (including 2 years)	20,187,975.69	215,606,102.89
2-3 years (including 3 years)	1,436,621.39	1,127,578.16

Over 3 years	2,973,633.26	3,154,050.73
Total	687,089,856.98	281,889,933.16

1. Top 5 Accounts payable

Name of creditor	Relationship with the Company	Ending balance	Nature or content	Proportion (%) in total accounts payable
Zhejiang Zetastone International Trade Co., Ltd.	Non-related party	577,795,000.00	Payment for purchase	84.09
China Jiangsu International Economic and Technical Cooperation Corp.	Non-related party	21,885,224.37	Project funds	3.19
Nantong Si Jian Construction Group Co., Ltd.	Non-related party	5,242,242.87	Project funds	0.76
Jiangsu Donggu Construction Engineering Co., Ltd.	Non-related party	3,100,000.00	Project funds	0.45
Jiangsu Nuowei Construction Engineering Co., Ltd.	Non-related party	2,915,000.00	Project funds	0.42
Total		610,937,467.24		88.91

Note23. Advance collection

1. Conditions of advance payment

Account age	Ending balance	Beginning balance
Within 1 year	45,545,127.74	21,066,300.49
1-2 years	877,886.97	1,248,110.72
2-3 years	515,541.00	10,157,503.90
Over 3 years	19,079,588.00	14,936,522.35
Total	66,018,143.71	47,408,437.46

Note24. Payroll payable

1. List of employee pay payable

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Short-term remuneration	2,005,507.80	13,108,187.98	11,734,903.09	3,378,792.70
Welfare after departure-defined contribution plans	165,034.70	225,853.14	227,119.70	163,768.14
Total	2,170,542.51	13,334,041.12	11,962,022.79	3,542,560.84

2. List of short-term remuneration

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Wages, bonuses, allowances, and subsidies	1,950,492.60	12,112,089.18	10,736,505.64	3,326,076.15
Welfare expense of employee		203,647.56	203,647.56	
Social insurance premiums	50,576.98	256,330.51	254,665.95	52,241.54

Wherein: Basic medical insurance premium	16,969.71	255,727.52	253,855.26	18,841.97
Supplementary medical insurance				
Industrial injury insurance premiums	13,848.25	602.99	810.69	13,640.55
Birth insurance premiums	19,759.02			19,759.02
Housing provident fund	4,438.22	738,112.29	742,075.50	475.01
Labor union expenditure and employees education fund		1,656.00	1,656.00	
Total	2,005,507.80	13,108,187.98	11,734,903.09	3,378,792.70

3. A list of defined contribution plans

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Basic endowment insurance	116,964.82	213,052.04	214,225.12	115,791.74
Unemployment insurance premiums	48,069.88	12,801.10	12,894.58	47,976.40
Total	165,034.70	225,853.14	227,119.70	163,768.14

Note25. Taxes and dues payable

Tax item	Ending balance	Beginning balance
Added-value tax	26,086,616.36	959,532.89
Enterprise income tax	92,381,602.38	60,422,600.04
Personal income tax	8,783.62	6229.19
Urban maintenance and construction tax	1,560,185.35	1,334,228.64
Property tax	16,367,079.26	17,532,270.14
Land use tax	3,420,109.15	1,975,515.19
Stamp tax	190,312.40	3,214,640.15
Education surcharges	1,114,418.09	953,020.45
Integrated fund		1,060.01
Total	141,129,106.61	86,399,096.70

Note26. Other payables

Item	Ending balance	Beginning balance
Interests payable	150,623,363.10	127,603,038.15
Dividends payable		
Other payables	1,672,301,031.72	957,687,583.99
Total	1,822,924,394.82	1,085,290,622.14

Note: Other payables in the table above refer to other payables after deducting interests payable and dividends payable.

(1) Interest payable

Item	Ending balance	Beginning balance
Bank loans and other interests	12,247,511.99	63,830,709.38
Bond interests payable	138,375,851.11	63,772,328.77
Total	150,623,363.10	127,603,038.15

(2) Other payables

1. Other payables listed by aging

Account age	Ending balance		Beginning balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	807,846,122.48	48.30	96,696,713.01	10.10
1-2 years	92,000,478.24	5.50	568,244,226.74	59.34
2-3 years	480,538,624.13	28.74	65,728,128.04	6.86
Over 3 years	291,915,806.87	17.46	227,018,516.20	23.70
Total	1,672,301,031.72	100.00	957,687,583.99	100.00

Note27. Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term loans due within one year	9,150,832,723.00	7,484,355,000.00
Bonds payable due within one year		940,000,000.00
Long-term payables due within one year	1,143,005,506.43	868,046,079.45
Total	10,293,838,229.43	9,292,401,079.45

Note28. Other current liabilities

Item	Ending balance	Beginning balance
Short-term financing	1,000,000,000.00	
Total	1,000,000,000.00	

Note29. Long-term loans

Type of loan	Ending balance	Beginning balance
Pledge loan	2,372,670,000.00	2,437,070,000.00
Mortgage loan	43,000,000.00	1,502,800,000.00
Guaranteed loan	12,543,615,000.00	13,600,022,723.00
Borrow money on credit	1,150,000,000.00	681,890,000.00
Total	16,109,285,000.00	18,221,782,723.00

Note30. Bonds payable

1. Category of stock payable

Item	Ending balance	Beginning balance
16 Xintai debt	600,000,000.00	800,000,000.00
2017 corporate bond		940,000,000.00
19 Xintai 01 (corporate bond)	997,330,524.33	995,940,237.41
19 Xintai 02 (corporate bond)	398,917,966.70	398,264,556.62
19 Xintai 03 (corporate bond)	697,717,721.49	697,211,138.51
20 Xintai 01	597,964,994.18	
20 Xintai 02	697,460,876.15	
20 Taizhou Xintai PPN001	498,587,848.68	
20 Xintai MTN001	498,509,981.85	
Dollar debt	515,612,902.29	546,972,352.76
Minus: Bonds payable due within one year		940,000,000.00
Total	5,502,102,815.67	3,438,388,285.30

2. Increase or decrease of bonds payable

Name of bonds	Face value	Issuing date	Maturity of bonds	Issuing amount	Beginning balance
16 Xintai debt	1,000,000,000.00	2016/3/23	7 years	1,000,000,000.00	800,000,000.00
2017 corporate bond	940,000,000.00	2017/3/22	3 years	940,000,000.00	940,000,000.00
19 Xintai 01 (corporate bond)	1,000,000,000.00	2019/4/17	3 years	1,000,000,000.00	995,940,237.41
19 Xintai 02 (corporate bond)	400,000,000.00	2019/8/2	3 years	400,000,000.00	398,264,556.62
19 Xintai 03 (corporate bond)	700,000,000.00	2019/12/24	5 years	700,000,000.00	697,211,138.51
20 Xintai 01	600,000,000.00	2020/3/19	5 years	600,000,000.00	
20 Xintai 02	700,000,000.00	2020/6/29	5 years	700,000,000.00	
20 Taizhou Xintai PPN001	500,000,000.00	2020/8/26	3 years	500,000,000.00	
20 Xintai MTN001	500,000,000.00	2020/8/17	3 years	500,000,000.00	
Xintai dollar debt	558,096,000.00	2019/6/28	3 years	558,096,000.00	546,972,352.76
Total	6,898,096,000.00			6,898,096,000.00	4,378,388,285.30

Continued:

Name of bonds	Issue in the current period	Amortization of premium and discount	Repayment in the current period	Other decreases	Ending balance
16 Xintai debt			-200,000,000.00		600,000,000.00
2017 corporate bond			-940,000,000.00		
19 Xintai 01 (corporate bond)		1,390,286.92			997,330,524.33
19 Xintai 02 (corporate bond)		653,410.08			398,917,966.70

Name of bonds	Issue in the current period	Amortization of premium and discount	Repayment in the current period	Other decreases	Ending balance
19 Xintai 03 (corporate bond)		506,582.98			697,717,721.49
20 Xintai 01	600,000,000.00	-2,035,005.82			597,964,994.18
20 Xintai 02	700,000,000.00	-2,539,123.85			697,460,876.15
20 Taizhou Xintai PPN001	500,000,000.00	-1,412,151.32			498,587,848.68
20 Xintai MTN001	500,000,000.00	-1,490,018.15			498,509,981.85
Xintai dollar debt		-31,359,450.47			515,612,902.29
Total	2,300,000,000.00	-36,285,469.63	-1,140,000,000.00		5,502,102,815.67

Note31. Long-term payables

Item	Ending balance	Beginning balance
Long-term payables	1,793,609,508.12	1,654,615,004.87
Special payables	4,751,748.77	4,751,748.77
Total	1,798,361,256.89	1,659,366,753.64

Note: The long-term accounts payable in the above table refer to the long-term accounts payable after deducting the special accounts payable.

(1) Long-term payables

1. Classification of long-term payables

Nature of payment	Ending balance	Beginning balance
Finance lease payable	2,936,615,014.55	2,522,661,084.32
Minus: Long-term payables due within one year	1,143,005,506.43	868,046,079.45
Total	1,793,609,508.12	1,654,615,004.87

(2) Classification of special payables

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Support fund of Innovation Park and Entrepreneurial Base	267,720.51			267,720.51
Special fund for insurance premium of Human Resources and Social Security Bureau	30,953.34			30,953.34
Special funds of urban affordable housing project of central finance	3,733,074.92			3,733,074.92
Guiding funds for provincial affordable	720,000.00			720,000.00

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
housing construction				
Total	4,751,748.77			4,751,748.77

Note32. Deferred incomes

Item	Ending balance	Beginning balance
Government subsidy related to the asset	3,092,104.66	2,742,072.44
Total	3,092,104.66	2,742,072.44

Note33. Paid-in capital

Name of investors	Beginning balance	Increase (+) or decrease (-) in current period					Ending balance
		Capital increase	Stock dividend	Provident fund increase by transferring	Other	Subtotal	
Taizhou Municipal People's Government	8,650,725,604.00	1,400,000,000.00					10,050,725,604.00
Total	8,650,725,604.00	1,400,000,000.00					10,050,725,604.00

Conditions description of capital stock change The increase (RMB 1.4 billion) in the current period is formed by shareholders' direct investment.

Note34. Capital reserves

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Capital premium (share capital premium)	7,611.37			7,611.37
Other capital reserves	6,605,489,415.85	640,456,656.90		7,245,946,072.75
Total	6,605,497,027.22	640,456,656.90		7,245,953,684.12

Instructions of capital reserves: The increased capital reserves in current period are shareholders' capital investment.

Note35. Other comprehensive incomes

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Profits and losses from the conversion of the inventories or self-use real estate to investment real estate measured by fair value model	1,471,467,685.93	202,591,537.25		1,674,059,223.18

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Total	1,471,467,685.93	202,591,537.25		1,674,059,223.18

Note36. Surplus reserves

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Statutory surplus reserve	310,011,651.49	38,720,331.15		348,731,982.64
Total	310,011,651.49	38,720,331.15		348,731,982.64

Note37. Undistributed profits

Item	Amount	Withdrawing or allocation proportion (%)
Closing undistributed profits of the last period before adjustment	2,464,991,877.31	
Total adjustment number of undistributed profit at the beginning of the period (increased +, reduced -)		
Undistributed profit at the beginning of the period after adjustment	2,464,991,877.31	
Plus: Net profits attributable to the owners of the parent company in the current period	349,417,790.10	
Minus: Withdrawal of statutory surplus reserve	38,720,331.15	10.00
Withdrawal of discretionary surplus reserve		
Withdrawal of reserve fund		
Withdrawal of enterprise development fund		
Profit capitalized on return of investment		
Withdraw workers award fund		
Withdraw of general risk preparation		
Common stock dividends payable		
Common stock dividends transferred to capital stocks		
Dividend on preferred stock		
Dividend distribution to shareholders	102,180,789.63	
Profit capitalized on return of investment		
Other profit distribution		
Plus: Recovery of losses by surplus reserve		
Carry forward re-measurement of changed amount in the defined benefit plan		
Internal carry-forward of other owner's equities		
Undistributed profits at the end of the period	2,673,508,546.63	

Note38. Operating income and operating cost

1. Operating income and operating cost

Item	Accrual in the current period		Accrual in the last period	
	Income	Cost	Income	Cost
Main operating income	2,864,418,260.59	2,761,948,702.28	1,859,621,832.83	1,742,589,422.60
Other operating incomes	315,868,822.33	85,419,997.17	203,080,883.32	55,303,778.21
Total	3,180,287,082.92	2,847,368,699.45	2,062,702,716.15	1,797,893,200.81

2. Income and cost of main businesses

Item	Accrual in the current period		Accrual in the last period	
	Income	Cost	Income	Cost
Sales of security housing	452,978,321.86	410,474,957.32	388,746,143.91	367,176,002.51
Entrusted construction	407,102,705.07	381,658,786.97	668,608,747.92	586,608,586.17
Sewage treatment	6,058,323.20	6,966,772.75	5,553,305.03	5,012,156.24
Commodity sales	1,516,442,697.23	1,489,484,642.32	743,276,627.75	738,940,894.40
Project income	32,822,859.34	26,667,768.75	27,538,726.38	20,435,377.77
Trade income	444,132,216.74	439,669,009.53	18,101,769.96	17,584,681.27
Warehousing income	4,881,137.15	7,026,764.64	7,796,511.88	6,831,724.24
Total	2,864,418,260.59	2,761,948,702.28	1,859,621,832.83	1,742,589,422.60

3. Other business income and cost

Item	Accrual in the current period		Accrual in the last period	
	Income	Cost	Income	Cost
Rental income	307,003,424.52	85,419,997.17	203,080,883.32	55,303,778.21
Interest incomes	8,865,397.81			
Total	315,868,822.33	85,419,997.17	203,080,883.32	55,303,778.21

Note39. Taxes and surcharges

Item	Accrual in the current period	Accrual in the last period
Urban construction tax	4,578,208.52	2,518,461.11
Education surcharges	3,270,177.29	1,324,813.59
Resource tax		474,087.45
Property tax	36,216,425.95	24,386,278.27
Land use tax	8,211,332.63	8,226,252.36
Vehicle and vessel use tax		56.64
Stamp tax	629,097.20	4,657,865.30
Business tax	26,785,867.65	5,158,703.54
Other funds	477.00	11,172.72

Item	Accrual in the current period	Accrual in the last period
Total	79,691,586.24	46,757,690.98

Note40. Sales costs

Item	Accrual in the current period	Accrual in the last period
Salary	736,249.81	714,151.67
Benefit expenses	15,600.00	33,240.00
Social insurance premiums	84,861.77	81,333.14
Housing provident fund	37,502.00	31,605.00
Service fee	62,809.32	57,357.59
Depreciation expenses	8,914.02	12,074.11
Office expenses	9,191.00	291.26
Communications expenses		3,020.83
Business publicity expenses		4,490.00
Advertising expenses		3,780.59
Business entertainment expenses	22,773.80	29,608.20
property management fee		6,537.73
Travel expenses	16,144.04	
Total	994,045.76	977,490.12

Note41. Management costs

Item	Accrual in the current period	Accrual in the last period
Salary	9,414,207.07	9,559,726.87
Benefit expenses	116,167.56	153,344.71
Social insurance premiums	152,544.54	398,895.12
Housing provident fund	433,382.29	1,186,285.92
Labor union expenditure	5,714.73	12,503.17
Employee education expenses	3,400.00	37,020.00
Service fee	12,305.29	4,278.81
Postage		5,522.72
Office expenses	802,644.18	5,877,582.74
Depreciation expenses	5,034,544.25	3,499,368.58
Business entertainment expenses	242,100.69	316,820.59
Travel expenses	173,550.99	281,157.72
Repair fees	35,757.73	21,130.40
Insurance premium	45,330.14	169,925.80
Consultation fees	8,780,788.83	5,753,698.55

Item	Accrual in the current period	Accrual in the last period
Audit verification fees	225,418.46	2,520,106.60
Training expenses	41,394.45	76,030.00
Appraisal fees		1,529,095.94
Automobile expenses	49,661.19	43,838.19
Amortization of intangible assets	35,198,284.52	34,470,880.82
Software service fee	3,369.35	30,113.21
Technical information service fee		7,866.65
Amortization of long-term unamortized expenses	436,691.91	571,350.27
Cleaning service charge		19,613.21
Other	6,006,421.57	8,015,152.20
Total	67,213,679.74	74,561,308.79

Note42. Financial costs

Item	Accrual in the current period	Accrual in the last period
Interest expenditures	64,908,510.93	32,372,430.00
Minus: Interest incomes	8,403,396.78	19,384,479.62
Exchange profits or losses	903,408.37	-9,351,180.31
Bank charges	4,039,800.98	13,629,170.67
Other		40,000.00
Total	61,448,323.50	17,305,940.74

Note43. Other incomes

1. Details of other incomes

Source of other incomes	Accrual in the current period	Accrual in the last period
Governmental subsidies	278,561,516.07	293,860,664.31
Total	278,561,516.07	293,860,664.31

2. Governmental subsidies included in the other incomes

Item	Accrual in the current period	Accrual in the last period	Related to assets Related to incomes
Business benefits	278,561,516.07	293,860,664.31	Related to incomes
Total	278,561,516.07	293,860,664.31	

Note44. Investment incomes

1. Details of investment incomes

Item	Accrual in the current period	Accrual in the last period
Long-term equity investment income calculated by the equity method	-42,664,160.23	-16,355,153.40

Item	Accrual in the current period	Accrual in the last period
Investment income of available for sale financial assets accounted by the cost method	3,311,555.86	
Total	-39,352,604.37	-16,355,153.40

Note45. Income from changes in fair value

Source of incomes from changes in fair value	Accrual in the current period	Accrual in the last period
Investment real estate calculated by fair value	63,002,000.00	10,000,300.00
Total	63,002,000.00	10,000,300.00

Note46. Asset impairment losses

Item	Accrual in the current period	Accrual in the last period
Bad debts loss	5,736,727.54	-9,986,994.57
Total	5,736,727.54	-9,986,994.57

Note47. Non-operating incomes

Item	Accrual in the current period	Accrual in the last period	The amount included in non-recurring profit and loss in the current period
Enterprise merger gains and losses		3,020,404.24	
Other	65,876.28	82,503.13	
Total	65,876.28	3,102,907.37	

Note48. Non-operating expenditures

Item	Accrual in the current period	Accrual in the last period	The amount included in non-recurring profit and loss in the current period
Tax delay charge	45,514.80	1,002,630.19	45,514.80
Other	75,276.23	33,209.48	448,212.50
Scrapping of fixed assets	372,936.27		
Penalty	400.00	6,511,321.13	400.00
Public welfare donations outlay	809,692.00		809,692.00
Total	1,303,819.30	7,547,160.80	1,303,819.30

Note49. Income tax expenses

Item	Accrual in the current period	Accrual in the last period
Income tax expense in the current period	57,241,123.95	51,940,974.26
Deferred income tax expense	19,215,292.48	2,832,412.06

Item	Accrual in the current period	Accrual in the last period
Total	76,456,416.43	54,773,386.32

Note50. Notes to cash flow statement

1. Other cash received related to operating activities

Item	Accrual in the current period	Accrual in the last period
Interest incomes	8,358,214.71	19,384,479.62
Governmental subsidies	278,561,516.07	294,688,470.28
Intercourse funds and others	7,342,412,207.14	1,307,017,689.50
Total	7,629,331,937.92	1,621,090,639.40

2. Other cash paid related to operating activities

Item	Accrual in the current period	Accrual in the last period
Management and sales expenses paid	10,573,980.91	15,130,301.34
Financial expenses paid	4,039,800.98	13,669,170.67
Non-operating expenses paid	1,303,819.30	7,513,952.03
Intercourse funds and others	8,521,010,211.99	1,165,217,096.03
Total	8,536,927,813.18	1,201,530,520.07

Note51. Supplementary information to cash flow statement

1. Supplementary information to cash flow statement

Item	Amount of current period	Amount of last period
1. Net profits made into the cash flow in operating activities		
Net profits	353,824,028.02	343,508,261.31
Plus: Preparation for the impairment of assets	-5,736,727.54	-9,986,994.57
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of productive biological assets	27,014,535.60	13,563,662.55
Amortization of intangible assets	35,550,119.28	34,986,070.75
Amortization of long-term unamortized expenses	1,482,875.47	571,350.27
Loss on disposal of fixed assets, intangible assets and other long-term assets (income is indicated by "-")	372,936.27	
Loss on retirement of fixed assets (income is expressed with "-")		
Loss on changes in fair value (income is expressed with "-")	-63,002,000.00	-10,000,300.00
Financial expenses (income is expressed with "-")	65,811,919.30	32,372,430.00
Investment loss (income is expressed with "-")	39,352,604.37	16,355,153.40
Decrease in deferred income tax assets (increase is expressed with "-")	1,434,181.88	1,479,088.22
Increase in deferred income tax liabilities (decrease is expressed with "-")	81,012,012.42	3,106,783.77

Item	Amount of current period	Amount of last period
Decrease in inventories (increase is expressed with "-")	-5,987,115,023.03	297,817,453.27
Decrease in operating receivables (increase is expressed with "-")	-753,234,587.49	-3,777,510,204.75
Increase in operating payables (decrease is expressed with "-")	6,494,379,370.08	3,125,299,066.30
Other		
Net cash flow arising from operating activities	291,146,244.63	91,535,809.66
2. Significant investment and financing activities not involved with a cash deposit and withdrawal		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets under financing lease		
3. Net change situation of cash and cash equivalents		
Ending balance of cash	2,208,459,882.92	4,252,469,457.02
Minus: Beginning balance of cash	4,252,469,457.02	894,871,289.01
Plus: Ending balance of cash equivalents		
Minus: Beginning balance of cash equivalents		
Net increase amount in cash and cash equivalents	-2,044,009,574.10	3,357,598,168.01

2. The composition of cash and cash equivalents

Item	Ending balance	Beginning balance
I. Cash	2,208,459,882.92	4,252,469,457.02
Wherein: Cash on hand	545.33	1,285.33
Bank deposits that can be used for payment at any time	2,208,459,337.59	4,252,468,171.69
Other monetary capital available for payment at any time		
Deposit in the central bank that can be used for payment		
II. Cash equivalents		
Wherein: Bond investment due within three months		
III. Ending balance of cash and cash equivalents	2,208,459,882.92	4,252,469,457.02

Note52. Assets whose ownership or right of use is limited

Item	Balance	Reasons for limitation
Monetary capital	2,003,001,300.00	Borrowing pledge and other deposits
Inventory - land	304,643,626.65	Loan mortgage
Investment real estate	1,091,360,000.00	Loan mortgage

Item	Balance	Reasons for limitation
Total	3,399,004,926.65	

VII. Equity in other entities

(1) Equity in subsidiaries

1. Composition of enterprise group

Full name of subsidiary	Main business place	Registration place	Shareholding ratio (%)		Acquisition mode
			Direct	Indirect	
Taizhou Xintai Construction Development Co., Ltd.	Taizhou City	Taizhou City	99.41		Establishment of investment
Taizhou No. 2 Chengnan Sewage Treatment Co., Ltd.	Taizhou City	Taizhou City	95.88		Establishment of investment
Taizhou New District New Rural Construction Investment Development Co., Ltd.	Taizhou City	Taizhou City	100.00		Establishment of investment
Jiangsu Huaxuan Electronic Commerce Co., Ltd.	Taizhou City	Taizhou City	100.00		Purchase
Taizhou Automobile City Co., Ltd.	Taizhou City	Taizhou City	100.00		Purchase
Jiangsu Xinrongyuan Supply Chain Management Co., Ltd.	Taizhou City	Taizhou City		40.00	Establishment of investment
Jiangsu Jiasheng Construction & Development Co., Ltd.	Taizhou City	Taizhou City	51.00		Purchase
Taizhou Xinyuan Logistics Co., Ltd.	Taizhou City	Taizhou City	51.00		Purchase
Taizhou Xinrun Gardening Co., Ltd.	Taizhou City	Taizhou City	100.00		Purchase
Xinfu (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	100.00		Establishment of investment
Taizhou Xingang New Material Technology Co., Ltd.	Taizhou City	Taizhou City		100.00	Establishment of investment
Xinfu (BVI) Co., Ltd.	British Virgin Islands	British Virgin Islands		100.00	Establishment of investment
Taizhou Xinquan Environment Protection Engineering Co., Ltd.	Taizhou City	Taizhou City		70.00	Establishment of investment

Note: The other two shareholders of Jiangsu Xinrongyuan Supply Chain Management Co., Ltd. are Taizhou Gaode Management Consulting Co., Ltd. (ratio of shareholding: 30%) and Suzhou Yuanyuantang Management Consulting Business Partnership (Limited Partnership) (ratio of shareholding: 30%) respectively. Xintai Group Co., Ltd. indirectly controls Jiangsu Xinrongyuan Supply Chain Management Co., Ltd..

(2) Equities in the cooperative arrangement or joint ventures

1. Major joint venture or associated enterprises

Names of joint venture or associated enterprise	Main business place	Registration place	Business Nature	Shareholding ratio (%)		Accounting treatment method
				Direct	Indirect	
Taizhou Medical New & High-tech Industrial Development Zone Urban Reconstruction Development Co., Ltd.	Taizhou City	Taizhou City		30.00		Purchase
Jiangsu Xinrui New Energy Automotive Technology Co., Ltd.	Taizhou City	Taizhou City		51.00		Purchase

Names of joint venture or associated enterprise	Main business	Registration place	Business	Shareholding ratio (%)	Accounting treatment
Taizhou Shenhe Real Estate Development Co., Ltd.	Taizhou City	Taizhou City		48.00	Establishment of investment

Note: The company holds 51% equities of Jiangsu Xinrui New Energy Automotive Technology Co., Ltd., and the company does not lead its major business decisions and has no control right.

VIII. Related parties and related transactions

(1) Information of the parent company and ultimate controller of the enterprise

The ultimate controller of the company is Taizhou Municipal People's Government, and the equity ratio of the company is 100.00%.

(2) The subsidiary of the Company is shown in Note VII (I) equity of the subsidiary

(3) Information of cooperative enterprises or joint ventures of the Company

As for important joint ventures or associated enterprise of the company, please see annotation VII (II) equity of joint arrangement or associated enterprise.

(4) Conditions of other related parties

Names of other related parties	Relationship of other related parties with the Company
Taizhou Port Development Company	Shareholder of Taizhou No. 2 Chengnan Sewage Treatment Co., Ltd.
Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	The same holding shareholder
Taizhou City Construction Investment Group Co., Ltd.	The same holding shareholder

(5) Transactions of related parties

1. The mutual transaction among the subsidiary that have controlling relationship and are incorporated into the range of the consolidated financial statements of the Company and the transaction of the parent company have been offset.

2. Situation of related guarantees

As of December 31, 2020, the details of the guarantee mutually provided by the company and its related parties are as follows:

Name of guarantee unit	Name of guaranteed unit	Guarantee balance (unit: RMB 0,000)	Remarks
Taizhou Xintai Group Co., Ltd.	Taizhou No. 2 Chengnan Sewage Treatment Co., Ltd.	92,988.11	
Taizhou Xintai Group Co., Ltd.	Taizhou Automobile City Co., Ltd.	10,350.00	
Taizhou Xintai Group Co., Ltd.	Taizhou New District New Rural Construction Investment Development Co., Ltd.	160,350.29	
Taizhou Xintai Group Co., Ltd.	Taizhou Xintai Construction Development Co., Ltd.	10,189.00	
Taizhou Xintai Group Co., Ltd.	Xinfu (BVI) Co., Ltd.	51,561.29	

Name of guarantee unit	Name of guaranteed unit	Guarantee balance (unit: RMB 0,000)	Remarks
Taizhou Xintai Group Co., Ltd.	Taizhou Xinrun Gardening Co., Ltd	200.00	
Taizhou Xintai Construction Development Co., Ltd.	Taizhou Xintai Group Co., Ltd.	75,000.00	
	Total	400,638.69	

3. Amount receivable and payable of related parties

Item name	Related parties	Ending balance	Beginning balance
Deposit received	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.		19,469,722.12
Other receivables	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	49,769,875.27	
Accounts payable	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.		185,976,670.00
Other receivables	Taizhou Port Development Company	9,724,470,377.97	7,148,648,033.67

IX. Commitments and contingencies

(1) Major commitment issues

There are no important commitment matters that the Company need to disclose.

(2) Important contingencies existed on the balance sheet date

As of December 31, 2020, the details of the guarantee provided by the company and its holding subsidiaries to the external units are as follows: (Unit: RMB 0,000)

Name of guarantee unit	Name of guaranteed unit	Guarantee balance	Remarks
Taizhou Xintai Group Co., Ltd.	Taizhou City Construction Investment Group Co., Ltd.	35,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou City Construction Investment Group Co., Ltd.	16,500.00	
Taizhou Xintai Group Co., Ltd.	Taizhou City Construction Investment Group Co., Ltd.	27,328.00	
Taizhou Xintai Group Co., Ltd.	Taizhou City Construction Investment Group Co., Ltd.	15,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou City Construction Investment Group Co., Ltd.	9,975.00	
Taizhou Xintai Group Co., Ltd.	Taizhou City Construction Investment Group Co., Ltd.	9,700.00	
Taizhou Xintai Group Co., Ltd.	Taizhou City Construction Investment Group Co., Ltd.	8,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Fengcheng River Construction Company	15,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Fengcheng River Construction Company	9,400.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Fengcheng River Construction Company	20,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Fengcheng River Construction Company	10,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	10,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	16,111.30	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	12,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	16,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	24,000.00	

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Name of guarantee unit	Name of guaranteed unit	Guarantee balance	Remarks
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	30,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	30,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	4,500.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	19,950.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	8,500.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	65,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	22,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	25,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	20,833.33	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	10,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	70,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	25,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	20,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	16,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	19,300.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	50,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	12,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	19,800.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	12,900.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	8,600.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	10,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	50,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	35,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	12,500.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huaxin Pharmaceutical Investment Co., Ltd.	30,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Medical New & High-tech Co., Ltd.	15,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huasheng Investment and Development Co., Ltd.	9,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huacheng Medical Investment Group Co., Ltd.	30,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huacheng Medical Investment Group Co., Ltd.	32,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huacheng Medical Investment Group Co., Ltd.	11,300.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Huacheng Medical Investment Group Co., Ltd.	30,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Xinbinjiang Development Co., Ltd.	4,200.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Xinbinjiang Development Co., Ltd.	8,500.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Xinbinjiang Development Co., Ltd.	2,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Xinbinjiang Development Co., Ltd.	15,398.34	
Taizhou Xintai Group Co., Ltd.	Taizhou Xinbinjiang Development Co., Ltd.	20,000.00	

Name of guarantee unit	Name of guaranteed unit	Guarantee balance	Remarks
Taizhou Xintai Group Co., Ltd.	Taizhou Xinbinjiang Development Co., Ltd.	20,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Xinbinjiang Development Co., Ltd.	10,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Xinbinjiang Development Co., Ltd.	21,190.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Xinbinjiang Development Co., Ltd.	8,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Xinbinjiang Development Co., Ltd.	13,500.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Xinbinjiang Development Co., Ltd.	4,300.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Xinbinjiang Development Co., Ltd.	10,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Xinbinjiang Development Co., Ltd.	7,010.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Runjiang Construction Development Co., Ltd.	34,999.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Runjiang Construction Development Co., Ltd.	20,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Runjiang Asset Management Co., Ltd.	3,200.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Feisite Construction Engineering Co., Ltd.	2,900.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Feisite Construction Engineering Co., Ltd.	1,000.00	
Taizhou Xintai Group Co., Ltd.	Jiangsu Chuanghong Asset Management Co., Ltd.	22,020.81	
Taizhou Xintai Group Co., Ltd.	Jiangsu Wangtao Investment Construction Co., Ltd.	19,000.00	
Taizhou Xintai Group Co., Ltd.	Jiangsu Wangtao Investment Construction Co., Ltd.	21,000.00	
Taizhou Xintai Group Co., Ltd.	Jiangsu Wangtao Investment Construction Co., Ltd.	20,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Orient China Medical City Holding Group Co., Ltd.	6,626.60	
Taizhou Xintai Group Co., Ltd.	Taizhou Gaojiao Investment Development Co., Ltd.	12,434.93	
Taizhou Xintai Group Co., Ltd.	Taizhou Gaojiao Investment Development Co., Ltd.	70,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Port Development Company	35,470.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Port Development Company	15,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Port Development Company	7,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Port Development Company	10,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Gaogang High-tech Zone Development and Construction Co., Ltd.	30,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Gaogang High-tech Zone Development and Construction Co., Ltd.	19,930.00	
Taizhou Xintai Group Co., Ltd.	Taizhou East New City Development Group Co., Ltd.	4,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou East New City Development Group Co., Ltd.	20,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Tongtai Investment Co., Ltd.	29,971.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Tongtai Investment Co., Ltd.	30,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Tongtai Investment Co., Ltd.	15,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Xintai New Rural Construction Development Co., Ltd.	20,000.00	
Taizhou Xintai Group Co., Ltd.	Taizhou Shenhe Real Estate Co., Ltd.	14,400.00	
Total		1,636,248.31	

X. Events after the balance sheet date

By the approval date of reporting this financial statement, the Company has not any undisclosed major post balance sheet event that should be disclosed of the balance sheet date.

XI. Notes to main items in parent company's financial statement

Note1. Accounts receivable

1. Classification disclosure of accounts receivable

Type	Ending balance				Book value
	Book balance		Bad debt reserves		
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable of significant single amount and with singly withdrawn bad debt reserves					
Accounts receivable with provision for bad debt on portfolio with credit risk features:					
Wherein: Combination of account age analysis					
Riskless portfolio					
Accounts receivable with single insignificant amount and withdrawing bad-debt provision of single amount					
Total					

Continued:

Type	Beginning balance				
	Book balance		Bad debt reserves		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable of significant single amount and with singly withdrawn bad debt reserves					
Accounts receivable with provision for bad debt on portfolio with credit risk features:	547,119,613.59	100.00	7,338,000.00	5.00	539,781,613.59
Wherein: Combination of account age analysis	146,760,000.00	26.82	7,338,000.00	5.00	139,422,000.00
Riskless portfolio	400,359,613.59	73.18			400,359,613.59
Accounts receivable with single insignificant amount and withdrawing bad-debt provision of single amount					
Total	547,119,613.59	100.00	7,338,000.00	5.00	539,781,613.59

2. Bad debt provision withdrawn, recovered or reversed in the current period

The reversed bad-debt reserves amount is RMB 7,338,000.00 in this period.

Note2. Other receivables

Item	Ending balance	Beginning balance
Interests receivable		
Dividends receivable		
Other receivables	20,063,616,573.96	14,127,079,580.48
Total	20,063,616,573.96	14,127,079,580.48

Note: Other receivables in the table above refer to other receivables after deducting interests receivable and dividends receivable.

(1) Other receivables

1. Classified disclosure of other receivables

Type	Ending balance				
	Book balance		Bad debt reserves		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other receivables of significant single amount and with singly withdrawn bad debt reserves					
Other receivables with provision for bad debt on portfolio with credit risk features:	20,069,229,810.78	100.00	5,613,236.82	0.03	20,063,616,573.96
Wherein: Combination of account age analysis	17,663,569.40	0.09	5,613,236.82	31.78	12,050,332.58
Riskless portfolio	20,051,566,241.38	99.91			20,051,566,241.38
Other receivables with single insignificant amount and withdrawing bad-debt provision of single amount					
Total	20,069,229,810.78	100.00	5,613,236.82		20,063,616,573.96

Continued:

Type	Beginning balance				
	Book balance		Bad debt reserves		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other receivables of significant single amount and with singly withdrawn bad debt reserves					
Other receivables with provision for bad debt on portfolio with credit risk features:	14,131,811,827.16	100.00	4,732,246.68		14,127,079,580.48
Wherein: Combination of account age analysis	13,604,864.34	0.10	4,732,246.68		8,872,617.66
Riskless portfolio	14,118,206,962.82	99.90			14,118,206,962.82
Other receivables with single insignificant amount and withdrawing bad-debt					

Type	Beginning balance				Book value
	Book balance		Bad debt reserves		
	Amount	Proporti on (%)	Amount	Withdrawal proportion (%)	
provision of single amount					
Total	14,131,811,827.16	100.00	4,732,246.68		14,127,079,580.48

2. Classified instruction of other receivables

Account age	Ending balance		
	Other receivables	Bad debt reserves	Withdrawal proportion (%)
Within 1 year (including 1 year)	1,907,363.96	95,368.20	5.00
1-2 years (including 2 years)	11,375,929.80	1,137,592.98	10.00
2-3 years (including 3 years)			30.00
Over 3 years	4,380,275.64	4,380,275.64	100.00
Total	17,663,569.40	5,613,236.82	—

3. Bad debt provision withdrawn, recovered or reversed in the current period

The amount of bad-debt provision set aside in the current period is RMB 880,990.14, which is not recovered or transferred back to the bad-debt provision.

4. Other receivables of the top five among ending balance collected by the debtor

Unit name	Nature of payment	Ending balance	Account age	Proportion in ending balance of other receivables (%)	Bad debt reserves Ending balance
Taizhou Port Development Company	Receivables and payables	10,228,273,254.99	Within 1 year	50.96	
Taizhou New District New Rural Construction Investment Development Co., Ltd	Receivables and payables	2,659,236,156.12	1-2 years, 2-3 years	13.25	
Taizhou Economic Development Zone Management Committee	Receivables and payables	2,740,679,353.31	Within 1 year, 1-2 years, 3-4 years	13.66	
Taizhou Mingda Infrastructure Co., Ltd.	Receivables and payables	2,431,117,594.49	Within 1 year	12.11	
Jiangsu Huaxuan Electronic Commerce Co., Ltd	Receivables and payables	600,000,000.00	Within 1 year	2.99	
Total		18,659,306,358.91		92.97	

Note3. Long-term equity investment

Nature of payment	Ending balance			Beginning balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Investment to subsidiaries	2,613,339,599.24		2,613,339,599.24	2,613,339,599.24		2,613,339,599.24
Investment in joint ventures and joint enterprises	111,334,066.48		111,334,066.48	153,998,226.71		153,998,226.71
Total	2,724,673,665.72		2,724,673,665.72	2,767,337,825.95		2,767,337,825.95

1. Investment to subsidiaries

Invested unit	Initial investment cost	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance	Withdrawn impairment reserve in the current period	Ending balance of depreciation reserves
Taizhou Xintai Construction Development Co., Ltd.	939,400,000.00	939,400,000.00			939,400,000.00		
Taizhou No. 2 Chengnan Sewage Treatment Co., Ltd.	65,200,000.00	65,200,000.00			65,200,000.00		
Taizhou Xinyuan Logistics Co., Ltd.	2,550,000.00	2,550,000.00			2,550,000.00		
Taizhou New District New Rural Construction Investment Development Co., Ltd.	1,457,194,900.00	1,457,194,900.00			1,457,194,900.00		
Taizhou Automobile City Co., Ltd.	99,570,655.24	99,570,655.24			99,570,655.24		
Jiangsu Huaxuan Electronic Commerce Co., Ltd.	8,940,000.00	18,940,000.00			18,940,000.00		
Jiangsu Jiasheng Construction & Development Co., Ltd.	4,684,044.00	4,684,044.00			4,684,044.00		
Taizhou Xinrun Gardening Co., Ltd.	25,800,000.00	25,800,000.00			25,800,000.00		
Total	2,577,539,599.24	2,613,339,599.24			2,613,339,599.24		

2. Investment in joint ventures and joint enterprises

Invested unit	Beginning balance	Increase/decrease changes in the current period			
		Additional investment	Negative investment	Profits and losses on investment confirmed by equity method	Adjustments of other comprehensive incomes
I. Joint venture					
Taizhou Medical New & High-tech Industrial Development Zone Urban Reconstruction Development Co., Ltd.	30,305,408.67			18,142.72	
Jiangsu Xinrui New Energy Automotive Technology Co., Ltd.	123,692,818.04			-42,682,302.95	

Taizhou Xintai Group Co., Ltd.
2020
Notes to the Financial Statement

Invested unit	Beginning balance	Increase/decrease changes in the current period			
		Additional investment	Negative investment	Profits and losses on investment confirmed by equity method	Adjustments of other comprehensive incomes
Total	153,998,226.71			-42,664,160.23	

Continued:

Invested unit	Increase/decrease changes in the current period				Ending balance	Ending balance of depreciation reserves
	Changes of other equities	Cash dividends or profits announced to issue	Withdrawn depreciation reserves	Other		
I. Joint venture						
Taizhou Medical New & High-tech Industrial Development Zone Urban Reconstruction Development Co., Ltd.					30,323,551.39	
Jiangsu Xinrui New Energy Automotive Technology Co., Ltd.					81,010,515.09	
Total					111,334,066.48	

Note4. Operating income and operating cost

1. Operating income and operating cost

Item	Accrual in the current period		Accrual in the last period	
	Income	Cost	Income	Cost
Main business	407,102,705.07	381,658,786.97	668,608,747.92	586,608,586.17
Other businesses	299,481,631.79	78,402,416.75	193,537,441.09	48,630,168.99
Total	706,584,336.86	460,061,203.72	862,146,189.01	635,238,755.16

Note5. Investment incomes

Item	Accrual in the current period	Accrual in the last period
Long-term equity investment income calculated by the equity method	-41,136,331.70	-16,355,153.40
Income from available-for-sale financial assets	3,311,555.86	
Total	-37,824,775.84	-16,355,153.40



APPENDIX I - FORM OF IRREVOCABLE STANDBY LETTER OF CREDIT

FM: BANK OF NANJING, TAIZHOU BRANCH (SWIFT: NJCBCNBNXXX)
ADDRESS: NO. 80 WUYI ROAD, TAIZHOU, JIANGSU, CHINA

DATE: 9 JUNE 2022

TO BENEFICIARY: CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED OF 28/F, CCB TOWER, 3 CONNAUGHT ROAD CENTRAL, CENTRAL, HONG KONG (SWIFT: CCBQHKAX) (THE “**BENEFICIARY**”) (THE “**TRUSTEE**”, WHICH EXPRESSION SHALL INCLUDE ANY SUCCESSOR) IN ITS CAPACITY AS TRUSTEE FOR ITSELF AND ON BEHALF OF THE HOLDERS (THE “**BONDHOLDERS**”) OF THE U.S.\$48,000,000 3.85 PER CENT. CREDIT ENHANCED BONDS DUE 2025 (THE “**BONDS**”), TO BE ISSUED BY XIN FU (BVI) CO., LIMITED OF RITTER HOUSE, WICKHAMS CAY II, PO BOX 3170, ROAD TOWN, TORTOLA VG1110, BRITISH VIRGIN ISLANDS (THE “**ISSUER**”) AND TO BE GUARANTEED BY TAIZHOU XINTAI GROUP CO., LTD. (THE “**GUARANTOR**”) AND TO BE CONSTITUTED BY A TRUST DEED DATED 9 JUNE 2022 (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 NANJING, TAIZHOU BRANCH OF NO. 80 WUYI ROAD, TAIZHOU, JIANGSU, CHINA (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 CONDITION 4(B) OF THE CONDITIONS OR (2) AN EVENT OF DEFAULT (AS DEFINED IN THE CONDITION 10 OF THE CONDITIONS) HAS OCCURRED AND THE BENEFICIARY, AS TRUSTEE FOR ITSELF AND THE BONDHOLDERS, HAS GIVEN NOTICE TO THE ISSUER THAT THE BONDS ARE IMMEDIATELY DUE AND PAYABLE IN ACCORDANCE WITH CONDITION 10 OF THE CONDITIONS.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE UNCONDITIONALLY AND IRREVOCABLY UNDERTAKE TO YOU THAT, ON OR AFTER THE ISSUE DATE AND FOLLOWING RECEIPT BY US OF A DEMAND BY 5:30 P.M. (HONG KONG TIME) ON A BUSINESS DAY, WE SHALL BY 10:00 A.M. (HONG KONG TIME) ON THE FIFTH BUSINESS DAY AFTER THE BUSINESS DAY ON WHICH WE RECEIVE SUCH DEMAND (OR IF SUCH DEMAND IS RECEIVED AFTER 5:30 P.M. (HONG KONG TIME) ON A BUSINESS DAY, THEN ON THE SIXTH 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 IN IMMEDIATELY AVAILABLE FUNDS TO THE ACCOUNT SPECIFIED IN THE DEMAND. “**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 GENERALLY 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.\$49,924,000 (THE “**MAXIMUM LIMIT**”), WHICH INCLUDES AN AMOUNT REPRESENTING (I) THE AGGREGATE PRINCIPAL AMOUNT OF U.S.\$48,000,000 OF THE BONDS PLUS INTEREST PAYABLE FOR ONE INTEREST PERIOD (BEING SIX MONTHS) IN ACCORDANCE WITH THE CONDITIONS) AND (II) U.S.\$1,000,000.00 BEING THE MAXIMUM AMOUNT PAYABLE UNDER

THIS IRREVOCABLE STANDBY LETTER OF CREDIT FOR ANY FEES, COSTS, EXPENSES, INDEMNITY PAYMENTS AND ALL OTHER AMOUNTS PAYABLE TO THE TRUSTEE UNDER OR IN CONNECTION WITH THE BONDS, THE TRUST DEED, THE DEED OF GUARANTEE, 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 INDEPENDENT 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 5:30 P.M. (HONG KONG TIME) ON 9 JULY 2025 (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 RECEIVED BY US ON OR AFTER THE ISSUE DATE AND ON OR BEFORE 5:30 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 YOURSELF AND THE BONDHOLDERS TO US (SWIFT: NJCBCNBNXXX) ON OR BEFORE 5:30 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 FAX TRANSMISSION AT +86-523-86392987 AND SUCH DEMAND SHALL BE SIGNED BY YOU AS TRUSTEE FOR YOURSELF AND 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 FAX 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 5:30 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 FAX TRANSMISSION. IF THERE IS ANY DISCREPANCY BETWEEN THE ORIGINAL DEMAND AND THE DEMAND SENT BY WAY OF FAX TRANSMISSION, THE FAX VERSION SHALL PREVAIL.

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 YOURSELF AND 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' PRIOR NOTICE HAVING BEEN GIVEN TO US BY OR ON BEHALF OF YOU AS TRUSTEE FOR YOURSELF AND THE BONDHOLDERS BY AUTHENTICATED SWIFT, OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON VIA FAX TRANSMISSION TO US AT +86-523-86392987. 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 FAX TRANSMISSION AT +86-523-86392987 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 FAX TRANSMISSION (USING THE SWIFT ADDRESS OR, AS THE CASE MAY BE, THE FAX 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 FAX 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 FAX TRANSMISSION. IF THERE IS ANY DISCREPANCY BETWEEN THE ORIGINAL DEMAND AND THE DEMAND SENT BY WAY OF FAX TRANSMISSION, THE FAX VERSION SHALL PREVAIL. 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 YOURSELF AND 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 (INCLUDING ANY NON-

CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT) AND (2) 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 AGENT IN HONG KONG, WE WILL PROMPTLY APPOINT A SUBSTITUTE PROCESS AGENT AND NOTIFY THE BENEFICIARY OF SUCH APPOINTMENT WITHIN 30 DAYS OF SUCH CESSATION. NOTHING HEREIN SHALL AFFECT THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

**APPENDIX A-1
FORM OF DEMAND**

To: BANK OF NANJING, TAIZHOU BRANCH (SWIFT: NJCBCNBNXXX)
ADDRESS: NO. 80 WUYI ROAD, TAIZHOU, JIANGSU, CHINA

[DATE]

Dear Sirs

RE: DEMAND UNDER THE IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER] IN RESPECT OF THE U.S.\$48,000,000 3.85 PER CENT. CREDIT ENHANCED BONDS DUE 2025 (THE “BONDS”) ISSUED BY XIN FU (BVI) CO., LIMITED (THE “ISSUER”) AND GUARANTEED BY TAIZHOU XINTAI GROUP CO., LTD. (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 itself and the Bondholders, has given notice to the Issuer that the Bonds are due and payable in accordance with Condition 10 of 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 under or in connection with the Bonds, the Trust Deed, the Deed of Guarantee, the Agency Agreement and/or any other transaction documents relating to the Bonds.
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 on behalf of
China Construction Bank (Asia) Corporation Limited as Beneficiary

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

ISSUER

Xin Fu (BVI) Co., Limited
Ritter House
Wickhams Cay II
PO Box 3170, Road Town
Tortola VG1110
British Virgin Islands

GUARANTOR

Taizhou Xintai Group Co., Ltd.
(泰州鑫泰集團有限公司)
Xintai Tower, East Yaocheng Avenue
Taizhou Medical New & Hi-tech Industrial Development Zone
Taizhou, Jiangsu Province
People's Republic of China

TRUSTEE

China Construction Bank (Asia) Corporation Limited
(中國建設銀行(亞洲)股份有限公司)
28/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

PRINCIPAL PAYING AGENT

China Construction Bank (Asia) Corporation Limited
(中國建設銀行(亞洲)股份有限公司)
28/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

REGISTRAR AND TRANSFER AGENT

China Construction Bank (Asia) Corporation Limited
(中國建設銀行(亞洲)股份有限公司)
28/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

LC PROCEEDS ACCOUNT BANK AND PRE-FUNDING ACCOUNT BANK

China Construction Bank (Asia) Corporation Limited
(中國建設銀行(亞洲)股份有限公司)
28/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

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*To the Managers and the Trustee
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Sunning Intelligent valley
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*To the Managers
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