IMPORTANT NOTICE

NOT FOR DISTRIBUTION INTO THE UNITED STATES

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the offering circular (the "**Offering Circular**"). 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 any time you receive any information from the Issuer (as defined in the Offering Circular) as a result of such access.

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

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY US ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation:

In order to be eligible to view this Offering Circular or to make an investment decision with respect to the securities, investors must be purchasing the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act. By accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to have represented to the Joint Lead Managers (as defined in the Offering Circular) and the Issuer (as defined in the Offering Circular) (1) that you and any customers you represent are not, and that the electronic mail address that you gave the Issuer and to which this e-mail has been delivered is not, located in the United States and (2) that you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular to any other person. You should not reply by e-mail to this notice, and you may not purchase any securities by doing so. Any e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

The materials relating to any offering of securities described in the Offering Circular do not constitute, and may not be used in connection with, an offer or solicitation by or on behalf of any of the Issuer or the Joint Lead Managers in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licenced broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers are licenced brokers or dealers in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Joint Lead Managers or any person who controls the Joint Lead Managers nor any director, officer, employee nor agent of the Joint Lead Managers or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

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

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.

Actions that you may not take: If you receive this announcement by e-mail, you should not reply by e-mail to this announcement, 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.

JIAXING CITY INVESTMENT AND DEVELOPMENT GROUP CO., LTD.

(嘉興市城市投資發展集團有限公司)

(incorporated with limited liability in the PRC)

US$300,000,000 4.40 PER CENT. BONDS DUE 2021

Issue Price of the Bonds: 99.454 per cent.

The US$300,000,000 4.40 per cent. Bonds due 2021 (the "**Bonds**") will be issued by Jiaxing City Investment and Development Group Co., Ltd. (the "**Issuer**"), a company incorporated in the People's Republic of China with limited liability. The Bonds will bear interest from and including 3 January 2018 at the rate of 4.40 per cent. per annum. Interest on the Bonds is payable semi-annually in arrear on 3 January and 3 July in each year, commencing with the first Interest Payment Date (as defined in the terms and conditions of the Bonds (the "**Terms and Conditions**"), falling on 3 July 2018.

The Bonds will constitute direct, general, unconditional and (subject to Condition 3(a) (*Negative Pledge*) of the Terms and Conditions) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. Payments in respect of the Bonds shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the PRC or any political subdivision thereof or any authority therein or thereof having power to tax.

Pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) (the "**NDRC Circular**") issued by the National Development and Reform Commission of the PRC ("**NDRC**") on 14 September 2015 which came into effect on the same day, the Issuer has registered the issuance of the Bonds with the NDRC and obtained a certificate from NDRC on 7 November 2017 evidencing such registration and intends to provide the requisite information on the issuance of the Bonds to the NDRC within 10 PRC Business Days (as defined in the Terms and Conditions) after the Issue Date (as defined in the Terms and Conditions). Pursuant to the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) (the "**SAFE Measures**") issued by the State Administration of Foreign Exchange of the PRC ("**SAFE**") on 13 May 2013 which came into effect on the same day, the Issuer is obliged to submit an application to register the Bonds with SAFE within 15 PRC Business Days after the Issue Date. The Issuer undertakes to submit such an application within the prescribed timeframe and complete the registration of the Bonds with SAFE within 90 PRC Business Days after the Issue Date.

Unless previously redeemed, or purchased and cancelled as provided herein, the Issuer will redeem the Bonds at their principal amount on 3 January 2021 (the "**Maturity Date**"). At any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (as defined below) (which notice shall be irrevocable), the Issuer may redeem the Bonds in whole, but not in part, at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that the Issuer has or will become obliged to pay Additional Amounts (as defined in the Terms and Conditions) as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 21 December 2017, and such obligation cannot be avoided by the Issuer taking reasonable measures available to it. At any time following the occurrence of a Change of Control (as defined in the Terms and Conditions), each holder of Bonds (each a "**Bondholder**") will have the right, at such Bondholder's option, to require the Issuer to redeem all but not some only of that Bondholder's Bonds on the Change of Control Put Settlement Date (as defined in the Terms and Conditions) at 101 per cent. of their principal amount, together with accrued interest to (but not including) such Change of Control Put Settlement Date. See "*Terms and Conditions of the Bonds – Redemption and Purchase*".

For a more detailed description of the Bonds, see "*Terms and Conditions of the Bonds*" beginning on page 49.

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

The Bonds are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

The Bonds are expected to be rated "BBB-" by Fitch Ratings and its successors ("**Fitch**") and "Baa3" by Moody's Investors Service, Inc. ("**Moody's**"). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Investing in the Bonds involves risks. See "*Risk Factors*" beginning on page 14 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

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

Approval in-principle has been received for the listing of the Bonds on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Circular. Admission of the Bonds to the official list of the SGX-ST is not to be taken as an indication of our merits or the merits of the Bonds.

The Bonds will be represented initially by beneficial interests in a global certificate (a "**Global Certificate**") in registered form, which will be registered in the name of a nominee for, and shall be deposited on or about 3 January 2018 (the "**Issue Date**") with a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Certificate will be shown on, and transfer thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Sole Global Coordinator

Guotai Junan International

Joint Lead Managers and Joint Bookrunners

Guotai Junan International	**CMBC Capital**	**CNCB HK Capital**	**Hung Sing Securities Limited**	**Standard Chartered Bank**

Offering Circular dated 21 December 2017

NOTICE TO INVESTORS

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 OR ANY OF ITS SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

SGX-ST takes no responsibility for the contents of this Offering Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

The Issuer, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer and its subsidiaries (together with the Issuer, the "**Group**") and the Bonds which is material in the context of the issue, offering, sale or distribution of the Bonds (including all information which is required by all applicable laws or, according to the particular nature of the Issuer, the Group and of the Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Group, and the rights attaching to the Bonds); (ii) this Offering Circular does not, contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (iii) the statements of intention, opinion, belief or expectation contained in this Offering Circular are honestly and reasonably made or held and have been reached after considering all relevant circumstances and based on reasonable assumptions; (iv) all reasonable enquiries have been and will be made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements; and (v) all descriptions of contracts or other material documents described in the Offering Circulars are accurate descriptions in all material respects and fairly summarise the contents of such contracts or documents.

The Issuer has prepared this Offering Circular solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. This Offering Circular does not constitute an offer of, or an invitation by or on behalf Guotai Junan Securities (Hong Kong) Limited, CNCB (Hong Kong) Capital Limited and Hung Sing Securities Limited (the "**Joint Lead Managers**") or the Issuer to subscribe for or purchase any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, Hong Kong, the People's Republic of China ("**PRC**"), Singapore and Japan and to persons connected therewith. For a description of certain further restrictions on offers and sales 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 concerning the Issuer, the Group or the Bonds other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Joint Lead Managers, the Trustee or the Agents (as defined in the Terms and Conditions) or their respective directors, officers, affiliates or advisers. 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 or the Group since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates 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 Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers or advisers has independently verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers or advisers, as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Bonds. Nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents or any of the respective affiliates, directors, officers or advisers. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Joint Lead Managers, the Trustee or the Agents or any of the respective affiliates, directors, officers or advisers that any recipient of this Offering Circular should purchase the Bonds. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or on any person affiliated with the Joint Lead Managers, the Trustee or the Agents in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer and the 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.

The Bonds are expected to be assigned a rating of BBB- by Fitch and Baa3 by Moody's. A rating is not a recommendation to buy, sell or hold securities, does not address the likelihood or timing of prepayment and may be subject to revision, qualification, suspension or withdrawal at any time by the assigning rating organisation. A revision, qualification, suspension or withdrawal of any rating assigned to the Bonds may adversely affect the market price of the Bonds.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers or advisers accepts any responsibility for the contents of this Offering Circular and assume no responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers or advisers or on their behalf in connection with the Issuer or the issue and offering of the Bonds. Each of the Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors, officers or advisers accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers or advisers undertakes to review the results of operations, financial condition or affairs of the Issuer 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 Joint Lead Managers, the Trustee or the Agents or their respective affiliates, directors, officers or advisers.

IN CONNECTION WITH THIS OFFERING, ANY OF THE JOINT LEAD MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS STABILISING MANAGER (THE "STABILISING MANAGER") OR ANY PERSON(S) ACTING ON BEHALF OF THE STABILISING MANAGER MAY, SUBJECT TO ALL APPLICABLE LAWS, OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE(S) OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

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

Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Offering Circular and consult its own legal, business and tax advisers as needed to make its investment decision and determine whether it is legally able to purchase the Bonds under applicable laws or regulations.

Industry and Market Data

Market data and certain industry forecasts used throughout this Offering Circular have been obtained based on 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 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, each of the Joint Lead Managers or its respective affiliates, directors, officers and advisers makes any representation as to the correctness, accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

Presentation of Financial Information

The Issuer prepares its consolidated financial statements in accordance with Accounting Standards for Business Enterprises of the PRC ("**PRC GAAP**"). The Issuer's audited consolidated financial information as at and for the years ended 31 December 2015 and 2016 have been extracted from the consolidated financial statements of the Issuer as at and for the year ended 31 December 2016 (the "**Issuer's Annual Financial Statements**") audited by Huapu Tianjian Certified Public Accountants LLP ("**Huapu Tianjian**"), the independent auditor of the Issuer, included elsewhere in this Offering Circular together with the auditor's report in respect of such financial year. The Issuer's unaudited consolidated interim financial information as at and for the six months ended 30 June 2016 and 2017 have been extracted from the unaudited but reviewed interim financial statements of the Issuer as at and for the six months ended 30 June 2017 (the "**Issuer's Interim Financial Statements**") reviewed by Huapu Tianjian, and included elsewhere in this Offering Circular. Such condensed consolidated interim financial statements have not been audited by Huapu Tianjian. Consequently, such unaudited consolidated interim financial statements should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. The Joint Lead Managers do not make any representation or warranty, express or implied, regarding the sufficiency of such unaudited consolidated interim financial statements for an assessment of, and potential investors must exercise caution when using such data to evaluate, the Issuer's financial condition, results of operations and results. Such unaudited condensed consolidated interim financial statements should not be taken as an indication of the expected financial condition, results of operations and results of the Issuer for the full financial year. PRC GAAP differs in certain material respects from the International Financial Reporting Standards ("**IFRS**"). See "*Summary of Material Differences between PRC GAAP and IFRS*".

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

All non-company specific statistics and data relating to the Issuer's industries or the economies of pertinent jurisdictions, such as the PRC, have been extracted or derived from publicly available information and various government sources. The Issuer believes that the sources of this information are appropriate for such information and the Issuer has taken reasonable care in extracting and reproducing such information. The Issuer has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, such information has not been independently verified by the Issuer, the Joint Lead Managers, the Trustee or the Agents or by their respective affiliates, officers, employees, directors, advisors and agents and none of the Issuer, the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, officers, employees, directors, advisors and agents makes any representation as to the correctness, accuracy or completeness of such information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon.

This Offering Circular contains a translation of certain Renminbi amounts into US dollars at specified rates solely for the convenience of the reader. Unless otherwise specified, where financial information in relation to the Issuer has been translated into US dollars, it has been so translated, for convenience only, at the rate of RMB6.7793 to US$1.00 (the noon buying rate in New York City on 30 June 2017 as set forth in the weekly H10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York). Further information regarding exchange rate is set forth in "**Exchange Rate**" in this Offering Circular. No representation is made that the Renminbi amounts referred to in this Offering Circular could have been or could be converted into US dollars at any particular rate or at all.

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.

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the "**PRC**", "**China**" and "**mainland China**" are to the People's Republic of China (excluding Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan), and all references to the "**United States**" and "**US**" are to the United States of America, all references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China; all references to "**Renminbi**" and "**RMB**" are to the lawful currency of the PRC, and all references to "**USD**", "**US$**" and "**US dollars**" are to the lawful currency of the United States of America. Historical amounts translated into Renminbi have been translated at historical rates of exchange. Such translations should not be construed as representations that the amounts referred to herein could have been or could be converted into Renminbi at those rates or any other rate at all.

FORWARD-LOOKING STATEMENTS

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

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

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

- the Issuer's ability to successfully implement business plans and strategies;
- various business opportunities that the Issuer may pursue;
- financial condition, performance and business prospects of the Issuer;
- the Issuer's capital expenditure plans and its ability to carry out those plans;
- access and cost of capital and financing;
- changes in the competition landscape in the industries where the Group operates;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Issuer's business;
- general political and economic conditions, including those related to the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which the Issuer operates;
- macroeconomic measures taken by the PRC government to manage economic growth; and
- other factors, including those discussed in "*Risk Factors*".

The Issuer does not undertake any obligation to update or revise publicly any of the opinions or forward-looking statements expressed in this Offering Circular as a result of any new information, future events or otherwise.

CONTENTS

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 one of the most important city construction and investment platforms in Jiaxing City and an urban asset construction, developing and operating entity designated by the Jiaxing Municipal Government to develop Jiaxing City. The Group's operations and investments primarily focus on natural gas supply, real property development, tourism, engineering settlement, primary land development, construction of municipal infrastructure projects and others. It also undertakes the task of preserving and enhancing the value of state-owned assets which it is authorised to operate and manage. The Group is the sole piped natural gas operator focusing on construction and operation of natural gas pipelines and natural gas supply in Jiaxing City. Since its establishment in 2009, by taking advantage of the strong support it has been receiving from the Jiaxing Municipal Government, the Group has undertaken primary land development, affordable housing construction and construction and development of a number of municipal infrastructure projects which are considered important to the urbanisation of Jiaxing City.

Jiaxing City is a prefecture-level city located in the northern of Zhejiang Province and well positioned as an important city in the Yangtze River Delta and on the Beijing-Hangzhou Grand Canal. As at 30 June 2017, Jiaxing City has two municipal districts, three county-level cities and two counties. Jiaxing has experienced rapid economic development in recent years. According to the Jiaxing Statistics Bureau, Jiaxing City's GDP was RMB335.3 billion, RMB351.7 billion and RMB376.0 billion for the years ended 31 December 2014, 2015 and 2016, respectively, representing a year-on-year growth of 7.5 per cent., 7.0 per cent. and 7.0 per cent, respectively. According to the Jiaxing Statistics Bureau, for the six months ended 30 June 2017, Jiaxing City's GDP was RMB190.4 billion and it was ranked the ninth in terms of the GDP growth rate among 16 cities in the Yangtze River Delta.

Over the years, the Group has diversified its business portfolio to include natural gas supply, real property development, tourism, engineering settlement, primary land development, construction of municipal infrastructure projects and others. Set forth below is an overview of the principal business segments of the Group:

- *Natural gas supply.* The Group is the sole piped natural gas operator focusing on construction and operation of natural gas pipelines and natural gas supply in Jiaxing City. It focuses its business operations on the midstream and downstream market segment, which comprises of the procurement of natural gas, natural gas pipelines construction and operation and sale of natural gas. For the years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017, the revenue generated from the Group's natural gas supply business was RMB1,384.3 million, RMB998.4 million, RMB448.0 million and RMB625.8 million, respectively, representing 68.5 per cent., 54.3 per cent., 72.8 per cent. and 46.9 per cent., respectively, of the Group's total revenue for the same periods.

- *Real property development.* The Group derived revenue from its real property development business mainly through (i) development and sale of commercial properties and (ii) development and sale of affordable housing properties as commercial properties with approval from Jiaxing Municipal Government. For the years ended 31 December 2015 and

2016 and the six months ended 30 June 2016 and 2017, the Group's revenue generated from real property development was RMB315.7 million, RMB522.6 million, RMB71.4 million and RMB573.7 million, respectively, representing 15.6 per cent., 28.4 per cent., 10.6 per cent. and 43.0 per cent., respectively, of the total revenue of the Group.

- *Tourism.* The Group's tourism business mainly involves operation of tourist attractions, construction and operation of hotels and tourism property leasing and management. Located in the Yangtze River Delta, the Group plans to consolidate its current tourist resources to establish a leading position in the tourism sector in the Yangtze River Delta and focus on the development of "One Lake, Two Rivers and Three Street Districts" (一湖兩河三街區). It focuses on the development of the revolution-era tourist site. For the years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017, the revenue generated from the Group's tourism business was RMB227.2 million, RMB213.1 million, RMB79.3 million and RMB99.5 million, respectively, representing 11.2 per cent., 11.6 per cent., 11.8 per cent. and 7.5 per cent., respectively, of the Group's total revenue for the same periods.

- *Engineering settlement.* The Group derived revenue from its engineering settlement business mainly through (i) landscaping and (ii) construction of government project. For the years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017, the Group's revenue generated from engineering settlement was RMB15.4 million, RMB31.8 million, RMB9.0 million and RMB4.0 million, respectively, representing 0.8 per cent., 1.7 per cent., 1.3 per cent. and 0.3 per cent., respectively, of the total revenue of the Group.

- *Primary land development.* The Group is commissioned by the Jiaxing Municipal Government to conduct the primary land development in the areas within the second ring road and some specified area with a total site area of approximately 27.5 million square metres in Jiaxing City. Primary land development conducted by the Group involves land clearance and construction of power networks, water, transportation, telecommunication, sewerage, gas and heat so that the land becomes ready for sale by the Jiaxing Land and Resources Bureau. As at the date of this Offering Circular, the Group's primary land development business has not generated any revenue but has improved its cash flow. Upon completion of the development of a parcel of land, the Jiaxing Land and Resources Bureau grants land use rights of the land developed by the Group through public tender-bidding, auction or listing to real property developers. The Group's fund from the primary land development is primarily derived from a portion of the land use right purchase price paid by real property developers to the Jiaxing Bureau of Finance, who will in turn pay to the Group after statutory deduction is made.

- *Construction of Municipal Infrastructure Projects.* The Group is the leading enterprise engaged by the Jiaxing Municipal Government to undertake the municipal infrastructure projects including road construction and reformation, landscaping, piping network construction and other public facilities in Jiaxing City. As at the date of this Offering Circular, the Group's municipal infrastructure construction business has not generated any revenue because the infrastructure projects are regarded as assets developed for public welfare, which the Group holds on behalf of the Jiaxing Municipal Government.

- *Others.* The Group's other businesses primarily include sale and transportation of commodities and other miscellaneous business. For the years ended 31 December 2015 and 2016 and six months ended 30 June 2016 and 2017, the revenue generated from the Group's other businesses was RMB77.6 million, RMB74.1 million, RMB22.9 million and RMB31.5 million, respectively, representing 3.9 per cent., 4.0 per cent., 3.4 per cent. and 2.4 per cent., respectively, of the Group's total revenue.

For the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017, the Group's total revenue was RMB2,020.3 million, RMB1,840.1 million and RMB1,334.5 million, respectively, and its net profit was RMB203.7 million, RMB191.0 million and RMB51.5 million, respectively. As at 30 June 2017, the Group's total assets were valued at RMB23,853.1 million.

COMPETITIVE STRENGTHS

The Group believes that its competitive strengths set forth below distinguish it from its competitors and are important to its success and future development:

- Strong support of the Jiaxing Municipal Government;
- Diversified business portfolio and asset base to provide stable return to the Group;
- Diversified funding channels;
- Sound and effective corporate governance and internal control; and
- Experienced management team with sound corporate governance.

BUSINESS STRATEGIES

The Group's goal is to continue to grow its asset base, optimise its capital structure and enhance operational efficiency. The Group intends to focus on the following strategies:

- Capitalise on opportunities to further expand the natural gas supply business;
- Actively continue to focus on primary land development and construction of municipal infrastructure projects in Jiaxing City;
- Integrate tourism resources in Jiaxing City and develop into a comprehensive tourism group;
- Strengthen management structure and internal control systems;
- Adhere to prudent financial policy with stringent risk control and enhanced financial management; and
- Explore new financing channels.

THE OFFERING

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

The offering of the Bonds contemplated hereby will be made pursuant to the Subscription Agreement (as defined in "Subscription and Sale").

Issuer	Jiaxing City Investment and Development Group Co., Ltd. (嘉興市城市投資發展集團有限公司).
Bonds	US$300,000,000 4.40 per cent. Bonds due 2021.
Issue Price	99.454 per cent.
Form and Denomination	The Bonds will be issued in registered form in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof.
Interest	The Bonds will bear interest from 3 January 2018 at the rate of 4.40 per cent. per annum, payable semi-annually in arrears on 3 January and 3 July in each year.
Issue Date	3 January 2018 .
Maturity Date	3 January 2021.
Status of the Bonds	The Bonds will constitute direct, general, unconditional and (subject to Condition 3(a) (*Negative Pledge*) of the Terms and Conditions) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Negative pledge	The Bonds will contain a negative pledge provision as further described in Condition 3(a) (*Negative Pledge*) of the Terms and Conditions.
Redemption at Maturity	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their respective principal amounts on the Maturity Date.

Taxation	All payments of principal and interest in respect of the Bonds by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the PRC or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. Where such withholding or deduction is made by the Issuer in the PRC at the rate applicable on 21 December 2017 (the "**Applicable Rate**"), the Issuer will pay such additional amounts as will result in receipt by the Bondholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. In the event that the Issuer is required to make a deduction or withholding by or within the PRC in excess of the Applicable Rate, the Issuer shall pay such additional amounts (the "**Additional Amounts**") as will result in receipt by the Bondholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in the circumstances set out in Condition 7 (*Taxation*) of the Terms and Conditions. If the Issuer becomes subject at any time to any taxing jurisdiction other than the PRC, references in these Conditions to the PRC shall be construed as references to the PRC and/or such other jurisdiction.
Redemption for Tax Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) at their principal amount, together with unpaid interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that: (A) the Issuer has or will become obliged to pay Additional Amounts as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 21 December 2017; and

	(B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts if a payment in respect of the Bonds were then due.
Redemption for Change of Control	At any time following the occurrence of a Change of Control, each Bondholder will have the right, at such Bondholder's option, to require the Issuer to redeem all but not some only of that Bondholder's Bonds on the Put Settlement Date at 101 per cent. of their principal amount, together with accrued interest to such Put Settlement Date. a "**Change of Control**" occurs when Jiaxing SASAC or any other person or entity (directly or indirectly) Controlled by the government of the PRC (such person or entity and Jiaxing SASAC, each a "**PRC Government Person**") ceases to Control the Issuer; "**Control**" means, with respect to a Person (where applicable), (i) the ownership, acquisition or control of 100 per cent. of the voting rights of the issued share capital of the Issuer, whether obtained directly or indirectly or (ii) the possession, directly or indirectly, of the power to nominate or designate all members then in office of such Person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise. For the avoidance of doubt, a Person is deemed to Control another Person so long as it fulfils one of the two foregoing requirements and the terms "**Controlling**" and "**Controlled**" have meanings correlative to the foregoing; and "**Jiaxing SASAC**" means the State-owned Assets Supervision and Administration Commission of the Jiaxing City (嘉興市國有資產監督管理委員會).
Redemption for No Registration Event	At any time following the occurrence of a No Registration Event, each Bondholder will have the right, at such Bondholder's option, to require the Issuer to redeem all, but not some only, of that Bondholder's Bonds on the No Registration Put Settlement Date at 100 per cent. of their principal amount, together with accrued interest up to (but excluding) the No Registration Put Settlement Date. "**No Registration Event**" occurs when the Registration Documents are not received by the Trustee on or before the Registration Deadline.

Events of Default	Upon the occurrence of certain events as described in Condition 8 (*Events of Default*) of the Terms and Conditions, the Trustee at its discretion may and, if so requested in writing by holders of at least one quarter of the aggregate principal amount of the then outstanding Bonds and/or if so directed by an Extraordinary Resolution of the Bondholders, shall (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) give written notice to the Issuer declaring the Bonds to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality.
Cross-default	The Bonds will contain a cross-default provision as further described in Condition 8(c) (*Cross-default of Issuer or Subsidiary*) of the Terms and Conditions.
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 with, a common depository for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by a Global Certificate will not be entitled to receive individual Bond Certificates in respect of their individual holdings of Bonds. The Bonds are not issued in bearer form.
Clearance and Settlement	The Bonds have been accepted for clearance by Euroclear and Clearstream under the following codes: ISIN: XS1739317193. Common Code: 173931719.
Governing Law	English law.
Trustee and Principal Paying Agent	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch.

Listing	Approval in-principle has been received for the listing of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Circular. Admission of the Bonds to the official list of the SGX-ST is not to be taken as an indication of our merits or the merits of the Bonds. The Bonds will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000 for so long as the Bonds are listed and quoted on the SGX-ST and the rules of the SGX-ST so require. For so long as the Bonds are listed and quoted on the SGX-ST and the rules of the SGX-ST so require, the Issuer will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that a Global Certificate is exchanged for definitive certificates. In addition, in the event that a Global Certificate is exchanged for definitive certificates, an announcement of such exchange shall be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive certificates, including details of the paying agent in Singapore.
Rating	The Bonds are expected to be rated BBB- by Fitch and Baa3 by Moody's. A rating is not a recommendation to buy, sell or hold the Bonds. A rating is subject to revision or withdrawal at any time by the rating agency.
Further Issues	The Issuer may from time to time, without the consent of the Bondholders and in accordance with the Trust Deed, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest and the timing for reporting to the NDRC) so as to form a single series with the Bonds, as the case may be, as further described in Condition 14 (*Further Issues*) of the Terms and Conditions.
Use of Proceeds	See "*Use of Proceeds*".

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The summary consolidated financial information of the Issuer as at and for the years ended 31 December 2015 and 2016 as set out below is derived from the audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2016. The audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2016 have been prepared and presented by the Issuer in accordance with PRC GAAP and audited by Huapu Tianjian in accordance with Auditing Standards for Certified Public Accountants in China. There are certain differences between PRC GAAP and the IFRS. Investors should seek advice from their financial and tax advisors if they have doubts about the differences. For a summary of the material differences, see "Summary of Material Differences between PRC GAAP and IFRS".

The summary consolidated financial information of the Issuer as at and for the six months ended 30 June 2016 and 2017 as set out below is derived from the reviewed but not audited financial statements of the Issuer as at and for the six months ended 30 June 2017. The consolidated interim financial statements of the Issuer as at and for the six months ended 30 June 2017 have been reviewed but not audited by Huapu Tianjian and were prepared and presented in accordance with the PRC GAAP. Consequently, such financial statements should not be relied upon by potential investors to provide the same type or quality of information associated with information that has been subject to an audit by an independent auditor.

The summary consolidated financial information as set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant consolidated financial statements of the Issuer and the notes thereto included elsewhere in this Offering Circular. Historical results are not necessarily indicative of results that may be achieved in any future period.

Summary Consolidated Income Statements Data

	Year ended 31 December		Six months ended 30 June	
	2015	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Total operating revenue	**2,020,278**	**1,840,116**	**695,232**	**1,334,522**
Including: Operating revenue	2,020,278	1,840,116	695,232	1,334,522
Total operating cost	**2,059,767**	**1,936,551**	**687,437**	**1,276,418**
Including: Operating cost	1,595,405	1,471,740	582,010	1,152,443
Taxes and surcharges	50,962	34,737	12,559	22,696
Selling expenses	116,559	120,646	37,534	31,750
Administrative expenses	160,057	100,637	34,318	38,821
Financial costs	138,435	205,318	21,368	32,133
Impairment loss	(1,651)	3,472	(353)	(1,426)
Add: Gains (or losses) from fair value changes	968	–	–	–
Income from investment	21,327	29,705	197	(5,862)
Other gains	–	–	–	373
Operating profit (or loss)	**(17,194)**	**(66,730)**	**7,993**	**52,615**
Non-operating income	259,272	260,013	884	1,332
Non-operating expenses	2,903	559	487	328
Total profits	**239,175**	**192,724**	**8,390**	**53,618**
Income tax expense	(35,501)	(1,726)	(1,467)	(2,154)
Net Profits	**203,674**	**190,998**	**6,923**	**51,464**
Net profits attributable to equity owners of the Company	182,462	194,935	7,693	53,942
Non-controlling interest	21,212	(3,937)	(770)	(2,477)
Total comprehensive income	**203,674**	**190,998**	**6,923**	**51,646**
Total comprehensive income attributable to equity owners of the Company	182,462	194,935	7,693	53,942
Total comprehensive income attributable to non-controlling interest	21,212	(3,937)	(770)	(2,477)

Summary Consolidated Statements of Financial Position Data

	As at 31 December		As at 30 June
	2015	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Current assets			
Monetary assets	1,536,953	1,743,492	1,744,819
Financial assets at fair value through profit or loss	2,916	–	–
Bill receivable	578	–	–
Accounts receivable	89,532	16,688	31,203
Prepayments	158,321	187,190	181,345
Other receivables	2,746,628	2,095,005	2,523,148
Inventory	15,602,943	15,923,955	16,162,262
Other current assets	1,439,222	678,820	782,659
Total current assets	**21,577,092**	**20,645,152**	**21,425,436**
Non-current assets			
Available-for-sale financial assets	429,333	561,833	561,833
Long-term equity investments	160,246	86,062	97,573
Investment properties	542,072	521,206	512,255
Fixed assets	1,598,415	902,955	915,716
Construction in progress	306,767	109,974	151,795
Intangible assets	159,463	125,399	121,571
Goodwill	396	396	396
Long-term deferred expenses	61,859	49,000	46,758
Deferred tax assets	17,548	14,636	14,258
Other non-current assets	5,827	5,526	5,526
Total non-current assets	**3,281,926**	**2,376,986**	**2,427,681**
Total assets	**24,859,018**	**23,022,138**	**23,853,117**
Current liabilities			
Short-term borrowings	617,100	219,500	343,000
Bill payable	70,990	1,680	–
Accounts payable	393,413	163,842	125,894
Receipt in advance	187,536	337,510	164,689
Employee benefits payable	20,519	22,790	2,937
Taxes and rates payable	17,932	9,487	5,662
Interest payable	100,574	82,019	56,386
Dividends payable	501	501	501
Other payables	2,348,132	2,715,833	4,131,476
Non-current liabilities maturing within one year	1,873,700	1,720,300	1,767,600
Other current liabilities	500,000	300,000	–
Total current liabilities	**6,130,397**	**5,573,462**	**6,598,145**

	As at 31 December		As at 30 June
	2015	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Non-current liabilities			
Long-term borrowings	7,478,309	2,671,279	2,555,579
Bonds payable	1,510,000	1,170,000	990,000
Long-term payables	171,670	94,315	81,885
Special payable	936,844	955,812	978,056
Deferred tax liabilities	504	–	–
Other non-current liabilities	642,648	274,239	309,703
Total non-current liabilities	**10,739,975**	**5,165,645**	**4,915,223**
Total liabilities	**16,870,372**	**10,739,107**	**11,513,369**
Owner's equity			
Paid-in capital	2,250,000	2,250,000	2,250,000
Capital reserves	3,960,088	8,246,045	8,251,298
Surplus reserves	2,139	3,773	3,773
Retained earnings	1,578,345	1,771,647	1,825,588
Total owner's equity attributable to parent company	7,790,572	12,271,464	12,330,659
Non-controlling interests	198,074	11,567	9,089
Total owners' equity	**7,988,646**	**12,283,031**	**12,339,748**
Total liabilities & owners' equity	**24,859,018**	**23,022,138**	**23,853,117**

Summary Consolidated Cash Flow Statements Data

	Year ended 31 December		Six months ended 30 June	
	2015	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Net cash flows from/(used in) operating activities	367,924	1,431,022	122,703	820,768
Net cash flows from/(used in) investing activities	(1,605,524)	576,198	(194,536)	(206,611)
Net cash flows from/(used in) financing activities	(176,805)	(1,618,855)	623,315	(611,990)
Net increase/ (decrease) in cash and cash equivalents	(1,414,105)	388,364	551,482	2,167
Add: Beginning balance of cash and cash equivalents	2,768,693	1,354,288	1,354,288	1,742,652
Cash and cash equivalents at the end of the period	1,354,288	1,742,652	1,905,770	1,744,819

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 the Bonds. Some risks may be unknown to the Issuer 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 and the Group or the value of the Bonds. The Issuer believes that the risk factors described below represent the principal risks inherent in investing in the Bonds, but the ability of the Issuer to pay 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 based on information currently available to it or which it is currently unable to anticipate. All of these factors are contingencies which may or may not occur and the Issuer is 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 does not represent that the statements below regarding the risk factors of holding any Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

RISKS RELATING TO THE GROUP'S BUSINESS

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

The Group operates its business primarily in Jiaxing City and its assets and customers are highly concentrated in Jiaxing City. Therefore, the Group's business, financial condition, results of operations and prospects have been and will continue to be heavily dependent on the level of economic development in Jiaxing City and the PRC.

The economy of the PRC experienced rapid growth in the past 30 years. There has been a slowdown in the growth of the PRC's gross domestic product ("**GDP**") since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. According to the National Statistics Bureau of the PRC, the annual growth rate of China's GDP in 2015 slowed down to 6.9 per cent. on a year-on-year basis compared to 7.3 per cent. in 2014, and it further decreased to 6.7 per cent. in 2016 on a year-on-year basis. The national economic condition of the PRC has a material effect on the regional economic performance in the PRC. Jiaxing City has experienced a prolonged period of steady economic growth in recent years. According to the Jiaxing Statistics Bureau, Jiaxing City's GDP increased from RMB229.6 billion in 2010 to RMB376.0 billion in 2016. However, the annual growth rate of Jiaxing's GDP decreased from 13.7 per cent. in 2010 to 7.0 per cent. in 2016. These changes were generally in line with the change in the PRC's GDP growth rate during the same period.

The future prospects of the PRC's and Jiaxing City's economy depend on many different factors, most of which are beyond the Group's control. It is uncertain how the economic condition and future development in Jiaxing City will be affected by the slowdown in the growth of the PRC's economy. There is no assurance that the economy of Jiaxing City will continue to be maintained at historical growth rates, if at all. Continued slowdown in the economic growth in Jiaxing City may affect the fiscal income and financial condition of the Jiaxing Municipal Government as well as its plans and budgets for city construction and development. This may in turn decrease the demand for the Group's business and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group faces risks associated with contracting with public bodies, such as the Jiaxing Municipal Government.

As at the date of this Offering Circular, the Issuer is indirectly wholly-owned by the Jiaxing SASAC, which is under direct administration of Jiaxing Municipal Government. A large part of the Group's business activities are conducted with the Jiaxing Municipal Government and its controlled entities. A portion of the Group's cash flow is generated from the funds paid by the Jiaxing Municipal Government relating to its infrastructure construction and primary land development. As such, the Group is exposed to certain inherent risks relating to dealing with public bodies, such as the Jiaxing Municipal Government.

Any failure by Jiaxing Municipal Government to fulfil its contractual obligations or any adverse change to its policies 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 Jiaxing Municipal Government or any of its 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 Jiaxing Municipal Government 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 Jiaxing Municipal Government and its controlled entities affected, and in turn materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The NDRC Circular, including the pilot programmes thereunder, is a recent regulation and its interpretation may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Bonds

According to the NDRC Circular issued by the NDRC and which came into effect on 14 September 2015, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities or medium-to-long term loans issued or incurred outside the PRC with the NDRC prior to the issuance of securities or loans, and report the particulars of the relevant issuance within 10 working days upon completion of each issuance. The NDRC Circular, including the pilot programmes thereunder, is a recent regulation and its interpretation may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Bonds. In addition, the administration of the NDRC Circular, including the pilot programmes thereunder, may be subject to a certain degree of executive and policy discretions by the NDRC. The NDRC Circular does not expressly state the legal consequences of non-compliance with the post-issue notification requirements under the NDRC Circular; therefore there is no assurance that the failure to comply with the NDRC requirements would not result in any adverse consequences for the Issuer, the Bonds or the investors in the Bonds. There is also no assurance that the foreign debt quota issued by the NDRC will not be revoked or amended in the future or that future changes in PRC laws and regulations will not have a negative impact on the performance or validity and enforceability of the Bonds in the PRC.

PRC regulations on the administration of local government debts and their financing platforms may have material impact on the Group's financing and business models.

The Group's results of operations and financial condition may be heavily affected by changes in the regulation of the PRC Government concerning local government debts and the financing platforms of local governments. In September 2014, the State Council of the PRC released the Opinion on Enhancing the Administration of Fiscal Debts of Local Governments(關於加強地方政府

性債務管理的意見)(“**Circular 43**”) with an aim to control a significant increase in local government debts and associated risks in the PRC's banking system. Circular 43 generally prohibits local governments to incur “off-balance” indebtedness to finance the development of government projects and other public interest projects with the proceeds of the borrowings incurred by financing platforms the relevant local governments own or control, such as the Issuer.

In 2015, the Ministry of Finance (“**MOF**”) rolled out a nationwide debt swap programme (the “**Debt Swap Programme**”) under which local governments were permitted to exchange bank loans of their financing platforms incurred for funding the developing of government projects and other public interest projects with long-term and low-interest government bonds they issued within the quota allocated by the MOF. As at 30 June 2017, the Group had total outstanding indebtedness of RMB5.7 billion, of which indebtedness in the amount of approximately RMB2.0 billion was pending swap with government bonds issued by the Jiaxing Municipal Government under the Debt Swap Programme.

Subsequent to the release of Circular 43 and the implementation of the Debt Swap Programme, the Jiaxing Municipal Government assumes no obligations to repay any of the Group's outstanding borrowings as guarantor or other capacity, and is no longer permitted to use fiscal funds to repay or refinance the Group's outstanding indebtedness, regardless of whether or not the indebtedness was incurred to finance the development of government or public interest projects, including the Group's outstanding US dollar bonds and the Bonds. The Group should rely upon the cash flow generated from its operations and external borrowings to satisfy its cash needs for servicing its outstanding indebtedness and for financing its operating activities.

The release of Circular 43 has changed the Group's financing and business model, especially those relating to its infrastructure and affordable housing development business. It has led to a significant increase in the Group's indebtedness and may continue to cause the Group to incur additional indebtedness in the future. The MOF, together with NDRC, PBOC, CSRC, CBRC and the Ministry of Justice, released Circular 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)) to emphasise the principles and policies set out in Circular 43 in April 2017. According to Circular 50, to further optimise the information disclosure mechanism, when carrying out debt financing in the PRC or overseas, the local government financing vehicles should voluntarily make a written declaration to the creditor on their non-performing governmental financing function and clarify that their new debts occurred since 1 January 2015 are not categorised as local governmental debts. In addition, Circular 50 provides that the MOF shall work with the NDRC, the PBOC, the CBRC and CSRC to construct big data monitoring platforms to implement departmental information sharing and data verification of the expenditure of the governments and financing activities of the local government financing vehicles, as well as to jointly penalise illegal financing activities. The PRC Government may continue to release new policies or amend existing regulations to control the increase in local government debts in China. The Group cannot assurance you that its financing model and business model will not be materially affected by future changes in the regulatory regime concerning the financing platforms of local governments.

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

The Group carries on the businesses of natural gas supply, real property development, tourism, engineering settlement, primary land development and construction of municipal infrastructure projects, all of which require substantial capital. The Group has a significant amount of contingent liabilities, which primarily relate to its guarantee for its subsidiaries and third parties. These contingent liabilities may also require the Group to have sufficient funds. A portion of the capital demand of the Group is satisfied with funding by the Jiaxing Municipal Government. The Group generally formulates and updates its capital expenditure and investment plans on an annual basis and reports its plans to the Jiaxing SASAC. The Jiaxing Municipal Government takes into consideration these plans when it determines the government budget for the subsequent financial year. There can be no assurance that the capital expenditure and investment plans submitted by the Group will be approved by the government. In addition, the Group's capital expenditure and investment plans are affected by a number of factors, such as changes in project requirements, the Group's ability to generate sufficient cash flows from its operations and the availability and costs of external financing. Any material changes in these factors, which may be out of the Group's control, may create capital shortfall after the local government approves and grants the funding based on the original capital expenditure and investment plans. Delays in funding and cost overruns inherent may also cause such shortfall. In these cases, the Group's reliance on external financings and its internal capital resources may increase.

As at 30 June 2017, the Group had total credit facilities in the amount of RMB4.8 billion, of which approximately RMB1.2 billion granted by commercial banks had not been utilised. The Group's ability to access and raise sufficient capital through different sources depends upon a number of factors, such as China's economic condition, prevailing conditions in capital markets, regulatory requirements, the Group's financial condition, and costs of financing including changes in interest rates. Some of these factors may be beyond the Group's control. If the Group fails to raise sufficient funds in a timely manner or fails to obtain external financing on commercially acceptable terms, it 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.

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

The Group relies on bank loans and proceeds from bond issuances to satisfy a portion of its capital requirements and the Group has had a significant amount of outstanding indebtedness. As at 30 June 2017, the Group's total indebtedness was RMB5.7 billion, of which RMB2.1 billion would become due within 12 months. In addition, the Group had outstanding guarantee in a total amount of RMB1.9 billion as at 30 June 2017, which was primarily borrowings of members of the Group.

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

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

As the Group's business scale continues to grow, its capital requirement and its reliance on external financing 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 that the Group pays on its legal actions against the Group by its creditors, or bankruptcy.

Restrictive covenants contained in our 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 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 or restrict the borrower from declaring dividends on capital stock, without the lender's prior consent. Such restrictions may negatively affect the relevant companies' ability to respond to changes in market conditions, pursue the business opportunities the Group believes to be desirable, to obtain future financing, fund capital expenditures, or withstand a continuing or future downturn in its business. Any of these factors could materially and adversely affect the Group's ability to satisfy its obligations under outstanding financial obligations, such as the Bonds after issuance.

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

The Group may be exposed to risks relating to increased level of inventories.

The Group's inventory level is affected by a number of factors, such as the Jiaxing 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 real property investment and development and the government's macroeconomic and monetary policies.

As at 31 December 2015 and 2016 and 30 June 2017, the balance of the Group's inventories was RMB15,602.9 million, RMB15,924.0 million and RMB16,162.3 million, respectively, representing 62.8 per cent. 69.2 per cent. and 67.8 per cent., respectively, of the Group's total assets. The Group's inventories mainly include land assets, entrusted construction projects and affordable housing under construction. Such land use rights and land booked as inventories on the Issuer'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.

In addition to increasing the pressure on the Group's cash flows, high level of inventories also causes the Group to make provisions for impairment of fair value of inventories. 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.

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

As at 31 December 2015 and 2016 and 30 June 2017, the Group's other receivables amounts to RMB2,746.6 million, RMB2,095.0 million and RMB2,523.1 million, respectively, representing 11.0 per cent., 9.1 per cent. and 10.6 per cent., respectively, of the Group's total assets. The Group's other receivables primarily comprise of demolition and resettlement compensation and margin. There are inherent risks associated with the ability of the Jiaxing Municipal Government and the Group's contractors to make timely payments and any failure to make timely payments by these entities could materially and adversely affect the Group's liquidity and in turn affect its business, financial condition or results of operations. See "*– The Group faces risks associated with contracting with public bodies, such as the Jiaxing Municipal Government*" above.

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

The Issuer has a large number of subsidiaries and associated companies operating in multiple industries. Through these subsidiaries and associated companies, the Group focuses on six segments of business covering a wide range of industries: (i) natural gas supply, (ii) real property development, (iii) tourism, (iv) engineering settlement, (v) primary land development and (vi) construction of municipal infrastructure projects. 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, due to the large number of the Issuer's subsidiaries and associated companies, successful operation of the Group requires an effective management system. As the Group continues to grow its businesses and expand into various industries, the Group's operations may become more complex, which would increase the difficulty of implementing its management system.

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

The Group's business operations are heavily regulated and any failure of the Group to comply with applicable laws, rules and regulations, including obtaining or maintaining necessary qualifications, permits and approvals for its operations may adversely affect its business, financial condition and results of operations.

The Group needs to obtain a number of approvals, certificates, licenses and permits from different governmental authorities and to comply with extensive procedural requirements in order to carry on its business activities under PRC laws and regulations. For example, the Group is required to obtain the project approval and the environmental assessment approval at the outset of the project before it is permitted to commence construction of the relevant project. As the project progresses, it also needs to receive the construction land planning permit (建設用地規劃許可證), the construction project planning permit (建設工程規劃許可證) and the construction permit (建築工程施工許可證). It normally takes months or even more than a year to obtain all of these approvals and certificates. Governmental authorities in the PRC have broad discretion in implementing and enforcing applicable laws and regulations and in determining the grant of approvals, licences, permits and certificates necessary for conducting the business. Therefore, there are significant uncertainties in the interpretation and implementation of PRC laws, rules, regulations, policies and measures and inconsistencies between verbal clarifications by the governmental authorities and the regulations concerned, the non-compliance of which may subject the Group to penalties or restriction of business activities.

The PRC governmental authorities may from time to time amend existing laws and regulations and release new policies which may affect the Group's business operations. The Group may be unable to comply with new laws, regulations or policies or fail to respond to any changes in the regulatory environment in a timely manner. In addition, to ensure the restrictions and conditions of relevant business permits, licenses and certificates are fulfilled, governmental authorities normally conduct regular or special inspections, investigations and inquiries. If there is any material non-compliance of the Group or its business, the Group's permits, licenses and certificates may be suspended or revoked and it may also receive fines or other penalties, all of which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's ability to maintain or increase its pipeline of various projects and to develop and manage projects is contingent upon, among other things, its obtaining and maintenance of all required licenses, permits and authorisations. As at the date of this Offering Circular, all of the Group's projects have received or maintained or are in the process of obtaining the requisite permits or approvals. There is no assurance that the Group will successfully obtain, renew and fulfil all conditions for all of the Group's required material permits and approvals in the future. Any failure to comply with applicable laws, rules and regulations, including obtaining any necessary permits or approvals, may have a material adverse effect on the Group's business, financial condition and results of operations.

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

Most of the Group's bank loans bear interests that accrue at rates linked to the benchmark lending rates published by the PBOC. A material fluctuation in the benchmark lending rates may have a material impact on the Group's interest expenses and payables under its bank loans and in turn negatively affect its financing costs and results of operations. The PBOC from time to time adjusts interest rates as implementation of its economic and monetary policies. Since the outbreak of the global financial crisis in 2008, the PBOC has started to lower the benchmark lending rates with an aim to encourage lending, increase liquidity in the market and promote the recovery of China's economy. Since 2008, the PBOC has decreased the benchmark one-year lending rate five times, from 7.47 per cent. to 5.31 per cent. in December 2008, which remained unchanged until

September 2010. Since then, the one-year lending rate was gradually increased to 6.56 per cent. on 7 July 2011 and onwards. In recent years, a perceivable slowdown in the growth of the economy of the PRC again caused the PRC Government to adopt more liberal monetary policies with the aim to stimulate the PRC's economic development. Since 2012, the PBOC for a number of times reduced the benchmark one-year lending rate to 4.35 per cent. as at 24 October 2015 and onwards. Although the Group's financial condition and results of operations may benefit from a low-interest environment, there is no assurance that this environment will continue. Any increase in the benchmark lending rate by the PBOC in the future will increase the Group's financing costs and adversely affect its profitability, financial condition and results of operations.

The Group may cease to enjoy government subsidies and grants, the loss of which, or a reduction in which, could reduce the Group's profits.

As a wholly-owned company of the Jiaxing Municipal Government, the Issuer regularly receives financial support and certain preferential treatments from the Jiaxing Municipal Government. These supports come in various forms, such as government subsidies, government grants, asset transfer, capital injection and grant of land use rights for its development projects. For the years ended 31 December 2015 and 2016, the government grants and the distribution of the land use right purchase price received by the Group amounted to RMB779.06 million and RMB976.57 million, respectively. However, there can be no assurance that the Group will continue to receive the same government subsidies and grants or enjoy the same preferential treatments as the relevant government policies may change over time. Any loss or reduction in government subsidies and grants or other form of government support could have an adverse effect on the Group's business, financial condition, results of operations and prospects.

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

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

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

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

- mechanical production interruptions, electricity outages and equipment failure;
- operating limitations imposed by environmental or other regulatory requirements;
- work-related personal injuries;
- on-site occupational accidents;

- credit risks relating to the performance of customers or other contractual third parties;
- disruption in the global capital markets and the economy in general;
- loss on investments;
- environmental or industrial accidents; and
- catastrophic events such as fires, earthquakes, explosions, floods or other natural disasters.

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

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

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

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

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

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

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

- misappropriating funds;

- conducting transactions that exceed authorised limits;

- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities when marketing or selling products;

- engaging in unauthorised or excessive transactions to the detriment of the Group's customers;

- making or accepting the bribery activities;

- conducting any inside dealing; or

- not complying with applicable laws or the Group's internal policies and procedures.

The Group's internal control procedures are designed to monitor its operations and ensure its overall compliance. However, such internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner if at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions the Group takes to prevent and detect such activities may not be effective. In addition, the Group currently does not have in place any internal policies and procedures with respect to anti-money laundering and anti-corruption. 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 have adverse impact on the Group's publicity.

The Group's business is sensitive to adverse weather and environmental conditions.

Adverse weather conditions, such as extreme cold weather, snow, typhoons, flooding and heavy or sustained rainfall and natural disasters such as earthquakes, landslides or mudslides, may prevent the Group from conducting its construction activities or otherwise affect its productivity, preventing the Group from completing its construction projects on schedule, delaying its receipt of payment and possibly causing the Group to incur additional operating expenses. Climatic conditions that are unusually severe or intense and occur at abnormal times or last longer than usual could therefore have a material adverse effect on the Group's business, financial condition and results of operations. During periods of curtailed activity due to adverse weather conditions, the Group may continue to incur operating expenses, but its operating income may be delayed or reduced. In China, these adverse weather conditions are more likely to take place during summer or winter, and as a result, the Group's business has a certain degree of seasonality.

The Group is exposed to litigation risks.

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

Disputes with joint venture partners may adversely affect the Group's business.

Some of the Group's businesses are being operated by joint venture enterprises formed by the Issuer and third-party partners. The economic or business interests or goals of those partners may not always be consistent with the Group's. Those joint venture partners may be unable or unwilling to fulfil their obligations under the relevant joint venture or may have financial difficulties. Additionally, a disagreement with any of the joint venture partners could result in postponement or suspension of the projects that the affected joint venture enterprises operate, early termination of joint venture or cooperation arrangements, or litigation or other legal proceedings. If any of these situations takes place, the Group's business, financial condition and results of operations may be adversely affected.

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

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

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

The Issuer from time to time issues corporate bonds and short-term commercial paper in the domestic capital markets in the PRC. According to applicable PRC securities regulations on debt capital markets, the Issuer needs to publish its semi-annual and annual financial information to satisfy its continuing disclosure obligations relating to its corporate bonds and short-term commercial paper. After the Bonds are issued, the Issuer is obligated by the terms of the Bonds, among others, to provide holders of the Bonds with its audited financial statements and certain unaudited but reviewed periodical financial statements. The semi-annual financial information published by the Group in the PRC is normally derived from the Group's management accounts which have not been audited or reviewed by independent auditors. As such, this financial information published in the PRC should not be referred to or relied upon by potential purchasers to provide the same quality of information associated with any audited information. The Issuer is not responsible to holders of the Bonds for the unaudited and unreviewed financial information from time to time published in the PRC and therefore Investors should not place any reliance on any such financial information.

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

The historical financial information of the Issuer is sometimes adjusted or restated to address subsequent changes in accounting standards, the Issuer's accounting policies and/or applicable laws and regulations with retrospective impact on the Group's financial reporting or to reflect the comments provided by the Group's independent auditors during the course of their audit or review in subsequent financial periods. Such adjustment or restatement may cause discrepancies between the financial information with respect to a particular period or date contained in the Issuer's historical financial statements and that contained in its future financial statements.

The Issuer's accounts were audited in accordance with PRC GAAP which may be different from IFRS. The Issuer's auditors have limited international capital markets experience.

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

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

In early 2017, Huapu Tianjian (Anhui branch) was involved in an investigation by CSRC in connection with a company in the Anhui Province for which Huapu Tianjian acted as an auditor. Huapu Tianjian has confirmed that the abovementioned investigation is not related to the relevant Huapu Tianjian team serving as the Group's independent auditors. Such investigation does not render any member of such team disqualified from serving as the Group's independent auditors or preventing any of them from participating in the offering of the Bonds. Such investigation does not have any impact in Huapu Tianjian giving unqualified audit opinions for the Group's audited consolidated financial statements and reviewed consolidated financial statements included elsewhere in this Offering Circular. Nonetheless, potential investors should consider the abovementioned investigation prior to making any investment decision.

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

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

RISKS RELATING TO THE GROUP'S NATURAL GAS SUPPLY BUSINESS

The Group's profitability is susceptible to the international crude oil price and the growth rate depends on the Group's continued success in constructing new branch pipelines and increasing the number of connected customers and city-gas construction and operation projects and other factors which are outside of the Group's control.

The Group's revenue derived from natural gas supply business decreased by 27.9 per cent. from RMB1,384.3 million in 2015 to RMB998.4 million in 2016, and increased by 28.2 per cent. from RMB488.0 million in the first half of 2016 to RMB625.8 million in the first half of 2017. For the years ended 31 December 2015 and 2016 and for the six months ended 30 June 2016 and 2017, the Group's gas supply business achieved a gross profit margin of 12.5 per cent., 2.4 per cent., 1.1 per cent. and 3.2 per cent., respectively. The Group may not be able to sustain its current level of profitability and growth rate of its gas supply business. Factors that could adversely affect the profitability and growth rate of the Group's gas supply business include, but not limited to:

- the lack of success in securing and developing new markets;
- the decrease in expansion opportunities as a result of increasing penetration rates in existing markets;
- the regulatory or economic changes which affect the Group's margins on its natural gas sales to its customers;
- the reduction or total elimination of the fees and tariffs the Group can charge its customers for either natural gas itself or natural gas pipeline connections and the Group's ability to pass through any increase in its procurement cost to end customers, whether due to market supply and demand, government regulation or otherwise;
- the changes in the PRC government policies to promote the use of natural gas;
- the fluctuations in the international crude oil price;

- the shifts in consumer preferences from piped natural gas to competing forms of energy;
- the slowdown in urbanisation rate, real estate development or industrial and commercial business activities; and
- the discontinuation of any government subsidies or favourable tax rates that the Group currently enjoys.

The Group procures all of its piped natural gas supplies from Zhejiang Province Natural Gas Development Co., Ltd.

The Group currently purchases all of its piped natural gas, the primary raw material, from Zhejiang Province Natural Gas Development Co., Ltd. (浙江省天然氣開發有限公司) ("**Zhejiang Province Natural Gas**"), pursuant to purchase agreements signed annually which set forth, among others, contracted supply volume and price. Purchase of natural gas accounted for 79.0 per cent., 72.0 per cent., 80.8 per cent. and 58.5 per cent. of the Group's total cost of sales for the years ended 31 December 2015 and 2016 and for the six months ended 30 June 2016 and 2017, respectively. It is uncertain that Zhejiang Province Natural Gas will renew such agreements or the volumes supplied will be sufficient to meet the Group's customer demand. As the Group does not have strategic partnerships with other natural gas suppliers, the Group may have decreased bargaining power with Zhejiang Province Natural Gas over the terms of the supply contracts, such as the supply volume. There is no assurance that the Group will be able to continue to purchase natural gas from Zhejiang Province Natural Gas on similar terms or on terms otherwise acceptable to the Group or at all, in which case the Group's business and results of operations may be materially and adversely affected.

In addition, there is no assurance that Zhejiang Province Natural Gas will always deliver natural gas to the Group on a timely basis, with consistent quality acceptable to the Group and the Group's customers or at all. The Group obtains natural gas directly from Zhejiang Province Natural Gas through pipelines. In the event of any disruption to natural gas pipeline supplies, whether due to accidents, commercial reasons, technical difficulties, natural disasters, war or terrorism, the Group may be unable to obtain an immediately available supply of natural gas for its piped gas customers. If the required natural gas cannot be purchased as scheduled or on terms acceptable to the Group, the Group's business, financial condition and results of operations may be materially and adversely affected.

As the Group procures all of its piped natural gas supplies from Zhejiang Province Natural Gas, the Group has not cultivated relationships with other natural gas suppliers in China compared to some of its competitors. As a result, the Group is more prone to risks relating to disruptions in natural gas supplies, changes in pricing and decreases in supply volume compared to some of its competitors which have active relationships with multiple natural gas suppliers.

The Group is subject to price controls in certain markets and are susceptible to any change in upstream natural gas supply price and gas connection fees.

The city-gate price of natural gas is determined with reference to the wellhead price and transmission charges. In China, wellhead prices for residential and fertiliser users are fixed, while wellhead prices for industrial and commercial users may vary up to 10.0 per cent. above the benchmark price set by the NDRC. On 28 June 2013, the NDRC launched a pricing mechanism through the Notice on the Adjustment of Natural Gas Price (《國家發展改革委關於調整天然氣價格的通知》) for non-residential natural gas consumption. The administration of natural gas prices shall be adjusted from the wellhead stage to the city-gate state. City-gate prices are government-guided prices subject to the price ceiling. The supplier and the user may, within the scope of the pricing ceiling as prescribed by the State, determine a specific price through negotiation. The new ceiling for city-gate prices is based on a two-tiered pricing mechanism, namely, for the (i) existing volume, price hike of not more than RMB0.4 per cubic metre and (ii) incremental volume, to be priced at 85 per cent. of the weighted average prices of fuel oil and LPG with weighting of 60 per cent. and 40 per cent., respectively. On 10 August 2014, the NDRC announced a city-gate price hike for existing volume in most provinces by RMB0.4 per cubic metre (RMB0.12 per cubic metre increase in Guangdong and Guangxi) effective from 1 September 2014. On 26 February 2015, the NDRC promulgated the Notice on Price Rationalisation for Non-Residential Natural Gas (《國家發改委關於理順非居民用天然氣價格的通知》), effective as at 1 April 2015, to combine the price for existing volume with the price for incremental volume of non-residential natural gas. The maximum gate price for incremental volume gas decreased by RMB440 per thousand cubic metres, while the maximum price for the existing volume gas increased by RMB40 per thousand cubic metres, in order to rationalise the price for non-residential natural gas. On 12 October 2015, the State Council and the Central Committee of Communist Party of China promulgated the Several Opinions of the Central Committee of the Communist Party of China and the State Council on Promoting the Price Mechanism Reform (《中共中央、國務院關於推進價格機制改革的若干意見》) on, which provided that the price of natural gas shall be comprehensively rationalised as soon as possible and the source and selling price for natural gas shall be liberalised at an accelerated pace. On 18 November 2015, the NDRC issued the Circular of the National Development and Reform Commission on Reducing the Gate Station Prices of Natural Gas Used for Non-residential Purpose and Further Accelerating Market-oriented Price Reform (《國家發展改革委關於降低非居民用天然氣門站價格並進一步推進價格市場化改革的通知》), according to which the maximum gate station prices of natural gas used for non-residential purpose shall be reduced by RMB700 per thousand cubic metres. The price administration shall follow the benchmark gate station price instead of the maximum gate station prices which may be used as a basis to decide the benchmark price by increasing up to 20 per cent. Before this new pricing mechanism, wellhead prices were adjusted in December 2005, November 2007 and June 2010. The NDRC announced an onshore wellhead price hike of RMB0.23 per cubic metre effective from 1 June 2010, resulting in a 24.9 per cent. increase on average. The NDRC also announced in June 2010 on the abolishment of the two-tiered pricing system created when China last increased gas prices in 2007. The previous two-tiered pricing system meant that wellhead and wholesale price increases would apply to industrial and commercial users but not residential and fertiliser users. As a result of the abolishment of the two-tiered pricing system, the June 2010 price increase was applicable to both industrial and commercial users and residential and fertiliser users. The transmission charges of natural gas were also regulated by the NDRC. On 9 October 2016, the NDRC issued Circular of the National Development and Reform Commission on Printing and Issuing the Administrative Measures for the Price of the Natural Gas Pipeline Transmission (for Trial Implementation) and the Measures for the Supervision and Examination of the Pricing and Costs of the Natural Gas Pipeline Transmission (for Trial Implementation) (《國家發展改革委關於印發天然氣管道運輸價格管理辦法(試行)》和《天然氣管道運輸定價成本監審辦法(試行)的通知》) to further strengthen the pricing administration of trans-provincial natural gas pipeline transmission, according to which the price of the trans-provincial natural gas pipeline transmission shall be determined and adjusted by the NDRC. The enterprises engaged in trans-provincial natural gas pipeline transmission may calculate specific price list for trans-provincial natural gas pipeline transmission according to the rate determined by the NDRC and transmission distance between entrance and exit locations of natural gas.

Piped gas end-user tariffs are determined by local pricing bureaus and any tariffs adjustment affecting residential users may normally be approved only after a public hearing. Even if the adjustments sought by the Group are approved, such approval process and hearing can cause substantial delay and the Group may not be able to completely and quickly pass through future increases in natural gas procurement costs to end customers and may face margin pressure if the NDRC makes unfavourable adjustments to natural gas prices. In addition, the amount of connection fees that the Group charges for connecting its new customers to its city-gas distribution networks is also subject to approval by local pricing bureaus. Revenue from connection and construction services typically has a higher gross profit margin than revenue generated from natural gas sales. There is no assurance that the Group will continue to have the right to charge pipeline connection fees and end-user tariffs in its existing markets at the levels currently enjoyed by it, or that the Group will be able to charge similar connection fees and end-user tariffs in new markets. Any reduction in connection fees or end-user tariffs will have an adverse impact on the Group's results of operations and financial condition. In addition, there is no assurance that the Group will be able to obtain the required approval from the relevant local pricing bureau for an increase in pipeline connection fees or end-user tariffs if the Group's costs increase significantly.

In addition, as China further increases its imports of natural gas, upstream gas prices may increase or decrease in accordance with the price of imported natural gas. The various regulatory bodies involved in the setting of gas prices will take a variety of considerations into account when fixing prices or setting indicative prices, including social and political impact, the public interest, ability of end customers to pay and the importance of gas supplies to the relevant customer groups. As a result, there is no assurance that the Group will be able to pass through all increases in the upstream gas price to end customers and even if the Group is able to pass through all or a portion of such increase, there is no assurance that the Group will not experience substantial delay in doing so. In addition, a material increase in end-user tariffs may reduce market demand due to loss of existing connected customers or failure to obtain new customers.

In the event that the Group is unable to obtain approval for, or experience delay in, passing through any increased input costs in pipeline connection fees or gas tariffs, or experience loss of market demand due to increased end-user tariffs, the Group's business, financial condition and results of operations may be materially and adversely affected.

The Group's revenue from natural gas supply business is subject to seasonal fluctuations.

Natural gas consumption in Jiaxing City is subject to seasonal fluctuations. Natural gas demand typically peaks in cooler periods in Jiaxing City. Demand begins to slacken during the warm season. As such, revenue typically rises during the peak season and decreases during the slack period. Therefore the interim financial performance may not be indicative of a business segment or the Group's financial performance for the full year. Moreover, the demand and use of natural gas in Jiaxing City is closely correlated to weather. Natural gas is mainly used for heating purposes in Jiaxing City. Any global or local increase in temperature, particularly in Jiaxing City, will lead to a decrease in the demand for natural gas. Such decrease in demand will have an adverse effect on the Group's financial condition and results of operations.

The Group's business, revenues and profits may be materially and adversely affected by fluctuations in crude oil and natural gas prices.

Fluctuations of crude oil and/or natural gas prices may adversely affect the Group's operations. Prices for crude oil and natural gas may fluctuate widely in response to relatively minor changes in the supply and demand for oil and natural gas, market uncertainty and various other factors that are beyond the Group's control, including, but not limited to overall economic conditions, consumer demand for oil and natural gas, political developments, the ability of petroleum producing nations to set and maintain production levels and prices, the price and availability of other energy sources, domestic and foreign government regulations and weather conditions. As such, even relatively modest declines in crude oil and/or natural gas prices may materially and adversely affect the revenue and profit of the Group's operations. Lower oil and gas prices may result in the write-off of higher cost reserves and other assets and may lower the earnings the Group derives from, or causes losses in, its operations.

RISKS RELATING TO THE GROUP'S PRIMARY LAND DEVELOPMENT AND CONSTRUCTION OF MUNICIPAL INFRASTRUCTURE PROJECTS BUSINESS

The Group's business and prospects to a large extent depend upon the budget and spending of the Jiaxing Municipal Government on infrastructure construction and primary land development.

The Group is tasked to implement the Jiaxing Municipal Government's plans to construct infrastructure construction projects and primary land development projects in Jiaxing City and its business and prospects are heavily affected by the budget and spending of the Jiaxing Municipal Government on infrastructure construction and primary land development. For example, some of the Group's infrastructure construction projects and primary land development projects are conducted according to the project development agreements the Group enters into with the Jiaxing Municipal Government, and the Group's cash flow from these projects is derived from the funds paid by the Jiaxing Municipal Government relating to its infrastructure construction and primary land development. The Group's fund from the infrastructure construction projects and primary land development is primarily derived from a portion of the land use right purchase price paid by real property developers to the Jiaxing Bureau of Finance, who will in turn pay to the Group after statutory deduction is made.

There are many factors affecting the amount, timing and priority of the Jiaxing Municipal Government's budget and spending on infrastructure construction and primary land development, 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 Jiaxing City. Any slowdown in the economic growth in the PRC and Jiaxing City may adversely affect the financial condition and fiscal income of the Jiaxing Municipal Government, which may in turn cause the Jiaxing Municipal Government to reduce its spending and budget on infrastructure construction and primary land development. See *"– Risks Relating to the PRC – China has experienced a slowdown in its economic development and the future performance of China's economy is uncertain*". If the public spending and budget of the Jiaxing Municipal Government on infrastructure construction and primary land development decrease, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

The Group's infrastructure projects are public interest projects which may have a material and adverse effect on the Group's financial condition and results of operations.

The Group from time to time undertakes infrastructure projects that are motivated by public interests and social welfare development. As such, all of the Group's infrastructure projects are for public interest by nature and do not generate any profit. The Group receives financial and other supports from the Jiaxing Municipal Government for such government-sponsored projects. However, such financial support may not always be available due to the government's liquidity, budgeting priority and other considerations. Further, the Jiaxing Municipal Government may change the plans for such projects which may cause an increase in the investment after the construction begins. Additionally, it is uncertain whether the government will be able to provide such financial support as a result of the promulgation of the Circular 43 and the Implementation Opinion on Circular 43. The Group has limited resources and engagement in such projects may reduce its ability to participate in other profit-generating projects. The Group is currently involved in several government projects and may continue to be required to participate in such projects from time to time. There can be no assurance that the Group's business, financial condition and results of operations will not be adversely affected as a result.

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

The Group engages third-party contractors to construct its infrastructure projects. The Group generally selects independent contractors through an open tender process. However, there can be no assurance that the services rendered by any of these independent contractors or subcontractors will always be satisfactory or meet its 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 infrastructure projects may be delayed, and the Group may incur additional costs due to a contractor's financial or other difficulties. In addition, the Group undertakes additional infrastructure construction projects, and there may be a shortage of contractors that meet its 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 infrastructure business, financial condition and results of operations.

Labour shortages, labour disputes or increases in labour costs of the third-party contractors engaged for the Group's projects could materially and adversely affect the Group's business and results of operations.

The Group relies on third-party contractors to carry out its infrastructure construction and primary land development projects. In recent years, work stoppages, employee suicide and other similar events in certain cities in the PRC have caused the PRC Government to amend labour laws to enhance protection of employees' rights. Increasing awareness of labour protection as well as increasing minimum wages are likely to increase the labour costs afforded by PRC enterprises in general, including the Group or the contractors participating in the Group's projects. As such, labour shortages, labour disputes or increases in labour costs of the Group's third-party contractors could cause an extension of the construction progress and an increase in the Group's fees payable to the contractors, which could in turn materially and adversely affect the Group's business and results of operations.

The Group may not be able to complete its development projects on time or at all.

Infrastructure and land development projects require substantial capital expenditures prior to and during the construction period. The construction of such projects may take many months or several years before the Group receives its funds from the Jiaxing Municipal Government, which is generated from the land grant premium payable by real property developers in the granting of land use rights of the land developed by the Group. Meanwhile, the progress and cost for a development project can be adversely affected by many factors, including:

- delays in obtaining necessary licenses, permits or approvals from governmental agencies or authorities;
- relocation of existing residents and/or demolition of existing structures;
- shortages of materials, equipment, contractors and skilled labour;
- labour disputes;
- construction accidents;
- natural catastrophes;

- adverse weather conditions; and
- changes in city zoning, planning and plot ratios.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedules or budgets as a result of the above factors may adversely affect the Group's results of operations and financial position and may also cause reputational damage. There is no assurance that the Group will not experience such delays in delivery of its property projects in the future or that they will not be subject to any liabilities for any such delays.

The Group does not have any control over the price, schedule and priority of the grant of land use rights for its primary land development projects and the Group's cash flow from primary land development may fluctuate significantly from period to period.

The Group's cash flow from primary land development mainly derives from the funds paid by the Jiaxing Municipal Government, which is generated from the land grant premium payable by real property developers in the granting of land use rights of the land developed by the Group. The Jiaxing Municipal Government determines the price, schedule and priority of the grant of land use right by taking into consideration of many factors such as government income and budget, city development plans, cost of primary development, location of the land, policies and regulations affecting real property investment and development and macroeconomic conditions in Jiaxing City. The Group has no control over the price, schedule and priority of the grant of land use rights. According to the Issuer's accounting policies, the Issuer recognises the operating income from primary land development upon receipt of the payment of land development fee. As a result, the Group's operating income from primary land development may fluctuate significantly from time to time depending on the timing and price of the land grant and the time of payment of the land development fee by the Jiaxing Municipal Government. The Group's results of operations relating to its primary land development 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. Suspensions or delays in granting of land use rights, as a result of government policies or decisions, macroeconomic conditions or otherwise, will also have a material adverse impact on the Group's business, financial condition and results of operations.

Changes in government policies, zoning and design plans and land use rights sales plans with respect to primary land development and infrastructure construction in Jiaxing City may adversely affect the Group and the Jiaxing Municipal Government's development plans and the proceeds the Group is entitled to receive from sales of land use rights.

Government authorities may, without prior notice or consent from the Group, implement changes to existing policies and plans for primary land development and infrastructure construction in Jiaxing City or implement new policies or plans, which may adversely affect the Group's operations and/or require the Group to adjust its development plans.

The Jiaxing Land and Resources Bureau prepares an annual sales plan which sets out a schedule of expected land parcel auctions for that year. However, the Jiaxing Land and Resources Bureau may adjust the timing of the land use rights sales, the number of the land parcels put up for sale and the land parcels to be prioritised for sale without consulting the Group or obtaining the Group's consent.

Notwithstanding that the Group may have creditor's rights against local governments for the costs it incurred for the clearing and levelling of land as well as the construction of ancillary public facilities, should for any reason the local government does not sell a certain piece of land developed by the Group, there can be no assurance that it can bring a successful claim against the governments, or if at all.

In some of the primary land development and infrastructure construction projects of the Group where the local governments agree to purchase the land developed by the Group with respect to the consideration for the costs of levelling the land, constructing ancillary public facilities and for purchasing the land use rights, the local governments pay the Group only after the relevant land use rights are sold by them to third party property developers through public auction, tender or listing. The Group believes that it may have creditor's rights against the local governments, such that if for any reason the local government does not sell a certain piece of land developed by the Group, it will have the right to claim against the local government the costs it has incurred in the clearing and levelling of the saleable land as well as for the construction of ancillary public facilities. However, there can be no assurance that such a claim can be made successfully, or that any compensation so obtained would cover the Group's costs incurred. Failure to make such claims successfully may materially affect the Group's financial condition and results of operations.

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

Some of the projects that the Group has developed involve relocation of incumbent residents and businesses, and the Group believes that similar situations may recur when it develops its future projects. If any incumbent resident or business is dissatisfied with the relocation compensation and refuses to move, the relevant entity of the township 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 complaint with PRC law. The relevant land authority will then make a decision as to the proper relocation compensation and timetable. There can be no assurance that the relocation of incumbent residents or businesses will proceed smoothly or that they will agree to the compensation. In addition, the amount of compensation to be paid is subject to PRC governmental regulation and can be changed at any time. Accordingly, any delays in effecting such relocations of these incumbent residents or businesses may result in delays in the Group's development schedules and/ or increase its development costs, any of which could have a material adverse effect on its business, financial condition and results of operations.

All of the Group's primary land development and construction of municipal infrastructure projects are based in a single geographical region.

All of the Group's current and anticipated primary land development and construction of municipal infrastructure projects are located in Jiaxing City. Any material region-wide adverse events may negatively impact the demand for primary land development and construction of municipal infrastructure projects in Jiaxing 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 Jiaxing City, slowdown in the primary land development and construction of municipal infrastructure projects 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.

RISKS RELATING TO THE GROUP'S TOURISM BUSINESS

General declines or disruptions in the travel industry may materially and adversely affect the Group's tourism business and results of operations.

The Group's tourism businesses may be subject to cyclical fluctuations. The Group's tourism businesses typically experience larger sales during festive and holiday seasons, including the Chinese New Year, Labour Day, the Mid-Autumn festival and the National Day. As a result of seasonal fluctuations, the operational results of the Group's tourism business during one period may not be comparable with that of any other period of the year. In addition, there is no assurance that the Group has sufficient resources to capture business opportunities during peak seasons, or that the Group will be able to effectively respond to a decline in market demand during the slow season. Failure to do so may materially and adversely affect the Group's tourism business.

The Group's tourism business depends significantly on the Group's successful operation of its existing attractions and hotels, and the overall growth of the tourism industries in the PRC.

The Group's tourism business involves the development, construction and operation of national parks, cultural attractions and hotels and other urban operations projects of the Group. The business prospects of the Group's tourism business are subject to the successful operation of the Group's existing attractions and hotels and any further expansions, as well as the overall growth of the culture, media and tourism industries in the PRC.

As the tourism industry in the PRC is still in its growth phase, any changes to its growth trajectories, whether or not resulted from changes in the macroeconomic trend of the PRC, may adversely affect the Group's performance of its tourism business. In addition, given the importance of the tourism business to the Group's overall operation, any material adverse developments, such as changes in government policies or the general economic conditions in Jiaxing City, with respect to the tourism industries in the PRC could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's tourism business is subject to changes in consumer behaviours and preferences.

In recent years, increasing number of customers book their holidays at time closer to their travel. This type of booking behaviour makes it considerably more difficult for tourism companies to engage in seasonal planning and could make the Group more vulnerable to short-term changes in customer demand. For example, bad weather at any of the destinations could reduce demand for travel to some of the destinations offered by the Group. Successful execution of the Group's strategy will depend, among other things, on its ability to anticipate changes in consumer preferences for leisure travel products across a number of source markets and destinations.

Over the recent years, the Internet has allowed and continues to allow travel customers to easily compare the costs of each component of their holidays, which could lead to increasing price pressure across the travel industry and in turn, could adversely affect the Group's financial performance and results of operations.

The Group's hotel business is subject to various operational risks, which may adversely affect the Group's operations.

The Group's results of operations relating to its hotel business are affected by occupancy and room rates, its ability to manage costs (including increases in labour costs), seasonality, the success of its food and beverage operations and the change in the number of available hotel rooms through acquisition, development and disposition. Additionally, the Group's ability to manage costs could be adversely impacted by increases in energy, healthcare, insurance and other operating expenses, which would result in lower operating margins. The Group's properties use significant amounts of electricity and other forms of energy. While the Group has not experienced shortage of energy, substantial increases in the cost of energy in the markets in which the Group operates could negatively impact the Group's operating results. Similarly, the Group is dependent on its IT information systems and electronic booking/reservation systems which, if they fail, could adversely affect the occupancy levels.

Relationship with employees could deteriorate due to disputes related to, among other things, wages or fringe benefits. The Group's operations rely heavily on employees and on the employees' ability to provide high-quality personal service to guests. Shortage of skilled labour or industrial action by employees, trade or other unions could adversely affect the Group's ability to provide these services and could lead to reduced occupancy or potentially damage the reputation of the Group. In addition, the Group relies heavily on certain key employees. If these particular employees should cease to be employed by the Group, this could adversely affect the Group's operations.

RISKS RELATING TO THE PRC

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

The economy of the PRC experienced rapid growth in the past 30 years. There has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. According to the National Statistics Bureau of the PRC, the annual growth rate of China's GDP in 2015 slowed down to 6.9 per cent. on a year-on-year basis compared to 7.3 per cent. in 2014, and it further decreased to 6.7 per cent. in the first quarter of 2016 on a year-on-year basis. In March 2016, Moody's Investors Service and Standard & Poor's Ratings Services changed China's credit rating outlook to "negative" from "stable", which highlighted the country's surging debt burden and questioned the government's ability to enact reforms.

In addition to the economic and monetary policies of the PRC Government, the future performance of China's economy is also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world, such as the United States and the European Union. For example, on 23 June 2016, the United Kingdom voted in a national referendum to withdraw from the European Union. The result of the referendum does not legally obligate the United Kingdom to exit the European Union, and it is unclear if or when the United Kingdom will formally serve notice to the European Council of its desire to withdraw. There is substantial uncertainty relating to the implementation of the United Kingdom's exit or its impact 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. Therefore, there exists continued uncertainty for the overall prospects for the global and the PRC economies this year and beyond.

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

The economy of the PRC differs from the economies of most developed countries in many respects, including government involvement, level of development, economic growth rate, control of foreign exchange and allocation of resources. The economy of the PRC has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC

Government has implemented a series of measures emphasising market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises.

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

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

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

As substantially all of the Group's business are conducted, and substantially all of the Group's assets are located, in the PRC, the Group's operations are governed primarily by PRC laws and regulations. The PRC legal system is based on written statutes and prior court decisions can only be cited as reference. Since 1979, the PRC Government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, China has not developed a fully integrated legal system and recently enacted laws and regulations that may not sufficiently cover all aspects of economic activities in the PRC. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based, in part, on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, the Group may not be aware of the Group's violation of these policies and rules until sometime after the violation. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management's attention and it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgements by a court of another jurisdiction. These uncertainties relating to the interpretation and implementation of PRC laws and regulations may adversely affect the legal protections and remedies that are available to the Group in its operations and to the holders of the Bonds.

Investors may experience difficulties in effecting service of legal process and enforcing judgements against the Group and the Group's management.

The Group and a number of the Group's subsidiaries are incorporated in the PRC. A substantial portion of the Group's assets are located in the PRC. In addition, most of the Issuer's directors, supervisors and executive officers reside within the PRC and the assets of the Group's directors and officers may be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of the Group's directors, supervisors and senior management, including for matters arising under applicable securities law. A judgement of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with China or if judgements of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. However, China does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts with many countries, including Japan, the United States and the United Kingdom. Therefore, it may be difficult for Investors to enforce any judgements obtained from foreign courts against the Group, the Issuer, any of their respective directors, supervisors or senior management in the PRC.

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

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

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

The PRC laws require that dividends be paid only out of net profit, calculated according to the PRC accounting principles, which differ from the generally accepted accounting principles in some other jurisdictions. In addition, the PRC law requires enterprises to set aside part of their net profit as statutory reserves before distributing the net profit for the current financial year. These statutory reserves are not available for distribution as cash dividends. Since the availability of funds to fund the Issuer's operations and to service its indebtedness depends upon dividends received from these subsidiaries, any legal restrictions on the availability and usage of dividend payments from the Issuer's subsidiaries may impact the Issuer's ability to fund its operations and to service its indebtedness. Furthermore, some of the Group's existing and future debt instruments may contain restrictions on our subsidiaries' ability to the distribute dividends. As a result, the ability of the Issuer to satisfy its obligations under the Bonds may be adversely affected.

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

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

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

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

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

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

RISKS RELATING TO THE BONDS

The Jiaxing Municipal Government is not contractually obligated to repay any amount under the Bonds if the Issuer fails to meet their respective obligations under these instruments.

The Issuer is beneficially controlled and owned by the Jiaxing Municipal Government with Jiaxing SASAC as its registered shareholder. Similar to other companies beneficially controlled by the PRC government, the Issuer may be generally perceived to have access to liquidity support from its beneficial controlling shareholder in light of its ownership structure and the nature of its beneficial controlling shareholder, particularly in the event that the Issuer becomes financially distressed. However, the Jiaxing Municipal Government is under no contractual obligation to pay any amount under the Bonds if the Issuer fails to meet its obligations under the Bonds, and, as a result, no financial support from the Jiaxing Municipal Government nor any other the PRC governmental entity may materialise. Investors should base their investment decision on the financial condition of the Issuer and any perceived credit risk associated with an investment in the Bonds based on the Issuer's own financial information reflected in its financial statements.

The Bonds are unsecured obligations.

As the Bonds are unsecured obligations of the Group, the repayment of the Bonds may be compromised if:

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

If any of these events were to occur, the Group's assets and any amounts received from the sale of such assets may not be sufficient to pay amounts due on the Bonds.

The Bonds need to be registered with SAFE before they can be considered enforceable under PRC law.

The Issuer is required to register the Bonds with the local branch of SAFE as a "foreign debt" in accordance with the relevant provisions on the administration of foreign debt within 15 PRC Business Days (as defined in the Terms and Conditions of the Bonds) after the Issue Date. Before the registration of the Bonds is completed, it is uncertain whether the Bonds are enforceable as a matter of PRC law and the Issuer may not be able to remit the proceeds of the offering into the PRC or make interest payments outside the PRC. The Issuer intends to register the Bonds with the local branch of SAFE and obtain a certificate of registration from SAFE as soon as practicable and in any event on or before the Registration Deadline (being 90 PRC Business Days after the Issue Date). In principle, the registration of the Bonds with SAFE would be a matter of procedure and timing as long as the Issuer has obtained the NDRC Pre-Issuance Registration Certificate and the issue of the Bonds is consistent with the terms of the Bonds previously submitted to the NDRC.

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

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;

- 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 economic scenarios, such as interest rate and other factors which may affect its investment and the ability to bear the applicable risks.

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. Although an application will be made to the SGX-ST for the listing of, and permission to deal in, the Bonds on the SGX-ST, no assurance can be given that such application will be approved, or even if the Bonds become so listed, an active trading market for the Bonds will develop or be sustained. No assurance can be given as to the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds or that a liquid market will develop. The liquidity of the Bonds will be adversely affected if the Bonds are held or allocated to limited investors. The Joint Lead Managers are not obligated to make a market in the Bonds, and if the Joint Lead Managers do so, they may discontinue such market making activity at any time at their sole discretion. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders 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.

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

The Bonds are denominated and payable in US dollars. An investor who measures investment returns by reference to a currency other than US dollars would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to, among other things, economic, political and other factors over which the Group has no control. Depreciation of the US dollars 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.

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

The Bonds will carry fixed interest rates. 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 liquidity and price of the Bonds following the offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the Group's turnover, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, changes in government regulations and changes in general economic conditions nationally or internationally could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the trading volume and price of the Bonds. There is no assurance that these developments will not occur in the future.

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 issues in other countries, including the PRC. Since the global financial crisis in 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

The Group may be unable to redeem the Bonds.

On certain dates, including but not limited to the occurrence of a Change of Control and at maturity of the Bonds, the Group may, and at maturity will, be required to redeem all of the Bonds. If such an event were to occur, the Group may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to redeem the Bonds by the Group, in such circumstances, would constitute an Event of Default under the Bonds, which may also constitute a default under the terms of other indebtedness of the Group or its subsidiaries.

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

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

Consequently, the Bonds will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Issuer s subsidiaries, other than the Issuer, and any subsidiaries that the Issuer may in the future acquire or establish.

The Bonds are the Issuer's unsecured obligations and will (i) rank equally in right of payment with all the Issuer's other present and future unsubordinated and unsecured indebtedness; (ii) be effectively subordinated to all of the Issuer's present and future secured indebtedness to the extent of the value of the collateral securing such obligations; and (iii) be senior to all of the Issuer's present and future subordinated obligations. As a result, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of the Issuer's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Bonds, these assets will be available to pay obligations on the Bonds only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Bondholders rateably with all of the Issuer'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.

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

The Issuer is incorporated under the laws of the PRC. Any bankruptcy proceeding relating to the Issuer would likely involve PRC bankruptcy laws, 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.

If the Issuer is unable to comply with the restrictions and covenants in its 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 Issuer's debt to be accelerated.

If the Issuer 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, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of the debt agreements of the Issuer, contain cross acceleration or cross default provisions. As a result, the default by the Issuer under one debt agreement may cause the acceleration of repayment of debt, including the Bonds, or result in a default under its other debt agreements, including the Bonds. If any of these events occurs, there can be no assurance that the Issuer's assets and cash flows would be sufficient to repay in full all of the Issuer s indebtedness, or that it would be able to find alternative financing. Even if the Issuer could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer.

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

The Terms and Conditions and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of Hong Kong Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排), judgements of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgements have agreed to submit to the exclusive jurisdiction of Hong Kong courts.

However, recognition and enforcement of a Hong Kong court judgement could be refused if the PRC courts consider that the enforcement of such judgement is contrary to the social and public interest of the PRC or meets other circumstances specified by the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of Hong Kong Pursuant to Choice of Court Agreements between Parties Concerned. While it is expected that the PRC courts will recognise and enforce a judgement given by Hong Kong courts in respect of a dispute governed by English law, there can be no assurance that the PRC courts will do so for all such judgements as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Bonds will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holder's ability to initiate a claim outside of Hong Kong will be limited.

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

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

The Terms and Conditions also provide that the Trustee may, without the consent of the holders of the Bonds, agree to any modification of the Trust Deed, the Terms and Conditions and/or the Agency Agreement (other than in respect of a reserved matter) which in the opinion of the Trustee will not be materially prejudicial to the interests of the holders of the Bonds and to any modification of the Bonds, the Trust Deed or the Agency Agreement which is of a formal, minor or technical nature or is to correct a manifest error.

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

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

Where the Trustee is under the provisions of the Trust Deed bound to act at the request or direction of the Bondholders, the Trustee shall nevertheless not be so bound unless first indemnified and/or provided with security and/or pre-funded to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, charges, damages, expenses and liabilities which it may incur by so doing. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding, in breach of the terms of the Trust Deed or the Terms and Conditions and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Bonds to take such actions directly.

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.

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

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

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

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

Under the Enterprise Income Tax Law of the PRC (the "**EIT Law**") which took effect on 1 January 2008 and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a "**non-resident enterprise**" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Bonds by non-resident enterprise holders would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the "**Arrangement**") which was promulgated on 21 August 2006, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds.

Pursuant to the EIT Law, the PRC Individual Income Tax Law (the "**IIT Law**") which took effect on 30 June 2011, and the implementation regulations in relation to both the EIT Law and IIT Law, PRC income tax at a rate of 10 per cent. or 20 per cent. is normally applicable to PRC-sourced income derived by non-resident enterprises or individuals respectively, subject to adjustment by applicable treaty. As the Issuer is a PRC resident enterprise for tax purposes, interest paid to non-resident Bondholders may be regarded as PRC-sourced, and therefore be subject to PRC income tax at a rate of 10 per cent. for non-resident enterprise Bondholders and at a rate of 20 per cent. for non-resident individual Bondholders (or a lower treaty rate, if applicable).

On 23 March 2016, the MOF and the SAT issued the Circular of Full Implementation of Business Tax to VAT Reform Caishui [2016] No. 36, which introduced a new value-added tax ("**VAT**") from 1 May 2016. VAT is applicable where the entities or individuals provide services within the PRC. The Issuer will be obligated to withhold VAT of 6% and certain surcharges on VAT for payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-resident enterprises or individuals. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 and laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

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

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

There can be no assurance as to whether or not payments on the Bonds may be made without withholding taxes or deductions applying from the Issue Date on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC or any subdivision or authority therein or thereof having power to tax. Although pursuant to the Terms and Conditions, the Issuer is required to gross up payments on account of any such withholding taxes or deductions (whether by way of enterprise income tax, business tax, VAT or otherwise), the Issuer also has the right to redeem the Bonds at any time in the event (i) it has or will become obliged to pay additional tax amounts on account of any existing or future withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC in excess of the applicable rate on 21 December 2017, or any political subdivision or any authority therein or thereof having power to tax as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 21 December 2017, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

If the Issuer redeems the Bonds prior to their maturity dates, 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 Group may issue additional Bonds in the future.

The Group may, from time to time and without prior consultation of the Bondholders, create and issue further Bonds (see "*Terms and Conditions of the Bonds*") 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.

Ratings of the Bonds may not reflect all risks and may be changed at any time, which may adversely affect value of the Bonds.

The Bonds are expected to be assigned a rating of BBB- by Fitch and Baa3 by Moody's. One or more independent credit rating agencies may assign credit ratings to an issue of the Bonds. The ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer to perform their respective obligations under the Bonds and the credit risks in determining the likelihood that payments will be made when due under the Bonds. Such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. There can be no assurance that the ratings assigned to any Bonds will remain in effect for any given period or that the ratings will not be lowered, suspended or withdrawn by the rating agencies in the future if, in their judgement, the circumstances so warrant. The Issuer has no obligation to inform holders of the Bonds of any such suspension, revision, downgrade or withdrawal. A suspension, downgrade or withdrawal of the ratings of any Bonds at any time may adversely affect the market price of the Bonds.

Bonds which have a denomination that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

The denominations of the Bonds are US$200,000 and integral multiples of US$1,000 in excess thereof. Therefore, it is possible that the Bonds may be traded in amounts in excess of US$200,000 that are not integral multiples of US$200,000. In such a case, a Bondholder who, as a result of trading such amounts, holds a principal amount of less than US$200,000 will not receive a definitive certificate in respect of such holding of Bonds (should definitive certificates be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more denominations. If definitive certificates are issued, Bondholders should be aware that Bonds with aggregate principal amounts that are not an integral multiple of US$200,000 may be illiquid and difficult to trade.

USE OF PROCEEDS

The Issuer estimates that the total net proceeds from the offering of the Bonds, after deducting commissions to be charged by the Joint Lead Managers and other estimated expenses payable in connection with the offering of the Bonds, will be approximately US$296,420,629. The net proceeds will be used to replenish working capital, refinance existing borrowings and fund our general corporate purposes.

EXCHANGE RATES

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

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

	Renminbi per US Dollar Noon Buying Rate[1]			
Period	**End**	**Average[2]**	**High**	**Low**
	(RMB per US$1.00)			
2012	6.2301	6.3088	6.3879	6.2221
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4778	6.2869	6.4896	6.1870
2016	6.5752	6.5726	6.5932	6.5219
2017				
May	6.8098	6.8499	6.8900	6.8098
June	6.7793	6.7911	6.8029	6.7793
July	6.7240	6.7517	6.7793	6.7240
August	6.5888	6.6670	6.7272	6.5918
September	6.6533	6.5690	6.6591	6.4773
October	6.6328	6.6254	6.6533	6.5712
November	6.6090	6.6200	6.5967	6.6385
December (through 8 December)	6.6199	6.6167	6.6199	6.6136

Notes:

(1) Exchange rates between Renminbi and US dollar represent the noon buying rates as set forth in the H10 statistical release of the Federal Reserve Board.

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

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Issuer's capitalisation as at 30 June 2017 and as adjusted to give effect to the aggregate principal amount of the Bonds and the receipt of the gross proceeds thereof. Investors should read this table in conjunction with the Issuer's consolidated financial statements and related notes included elsewhere in this Offering Circular.

	As at 30 June 2017			
	Actual		As adjusted	
	(RMB'000)	*(US\$'000)*[(1)]	*(RMB'000)*	*(US\$'000)*[(1)]
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Short-term Indebtedness				
Short-term borrowings	343,000	50,595	343,000	50,595
Non-current liabilities due within one year	1,767,600	260,735	1,767,600	260,735
Total Short-term Indebtedness	**2,110,600**	**311,330**	**2,110,600**	**311,330**
Long-term Indebtedness				
Long-term borrowings	2,555,579	376,968	2,555,579	376,968
Bonds payable	990,000	146,033	990,000	146,033
Finance lease payable	50,430	7,439	50,430	7,439
Bonds to be issued[(2)]	–	–	2,033,790	300,000
Total Long-term Indebtedness	**3,596,009**	**530,440**	**5,629,799**	**830,440**
Total Indebtedness[(3)]	**5,706,609**	**841,770**	**7,740,399**	**1,141,770**
Equity				
Total owners' equity attributable to parent company	12,330,659	1,818,869	12,330,659	1,818,869
Non-controlling interests	9,089	1,341	9,089	1,341
Total Owners' Equity	**12,339,748**	**1,820,210**	**12,339,748**	**1,820,210**
Total Capitalisation[(4)]	**18,046,357**	**2,661,980**	**20,080,147**	**2,961,980**

Notes:

(1) US dollar translations are provided for indicative purposes only and are unaudited. These translations were calculated based on an exchange rate of RMB6.7793 to US\$1.00 on 30 June 2017 as set forth in the H10 statistical release of the Federal Reserve Board.

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

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

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

Except as otherwise disclosed above, there has been no material change in the capitalisation and indebtedness of the Issuer since 30 June 2017.

TERMS AND CONDITIONS OF THE BONDS

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

The US$300,000,000 4.40 per cent. bonds due 2021 (the "**Bonds**", which expression includes any further bonds issued pursuant to Condition 14 (*Further issues*) and consolidated and forming a single series therewith) of Jiaxing City Investment and Development Group Co., Ltd.（嘉興市城市投資發展集團有限公司）(the "**Issuer**") are constituted by, are subject to, and have the benefit of, a trust deed dated on or about 3 January 2018 (as amended, restated, replaced or supplemented from time to time, the "**Trust Deed**") between the Issuer and The Bank of New York Mellon, London Branch as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated on or about 3 January 2018 (as amended, restated, replaced or supplemented from time to time, the "**Agency Agreement**") between the Issuer, The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Bonds), The Bank of New York Mellon, London Branch as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Bonds), The Bank of New York Mellon, London Branch as the transfer agent (the "**Transfer Agent**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Bonds), the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Bonds) and the Trustee. References herein to the "**Agents**" are to the Registrar, the Principal Paying Agent, the Transfer Agent and the Paying Agents and any reference to an "**Agent**" is to any one of them. Certain provisions of these terms and conditions (the "**Conditions**") are summaries of the Trust Deed and the Agency Agreement and subject to their detailed provisions. 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 Agency Agreement applicable to them. Unless otherwise defined, terms used in these Conditions have the meaning specified in the Trust Deed. Copies of the Trust Deed and the Agency Agreement are available for inspection by Bondholders during normal business hours at the principal office for the time being of the Principal Paying Agent, being at the date hereof One Canada Square, London E14 5AL United Kingdom and at the Specified Offices (as defined in the Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

1. Form, Denomination and Status

(a) *Form and denomination*: The Bonds are issued in registered form in the denomination of US$200,000 and in integral multiples of US$1,000 in excess thereof (each, an "**Authorised Denomination**").

(b) *Status of the Bonds*: The Bonds constitute direct, general, unconditional and (subject to Condition 3(a) (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application and subject to Condition 3(a) (*Negative Pledge*).

*Upon issue, the Bonds will be evidenced by a global certificate (the "**Global Certificate**") substantially in the form scheduled to the Trust Deed. The Global Certificate will be registered in the name of a nominee of, and deposited with, a common depositary for*

*Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"), and will be exchangeable for individual Certificates (as defined below) only in the circumstances set out therein.*

2. Register, Title and Transfers

(a) *Register*: The Registrar will maintain a register (the "**Register**") in respect of the Bonds in accordance with the provisions of the Agency Agreement. In these Conditions, the **Bondholder** means the person in whose name such Bond is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof). A certificate (each, a "**Certificate**") will be issued to each Bondholder in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Bonds by the same holder.

(b) *Title*: The Bondholder of each Bond shall (except as ordered by a court of competent jurisdiction or otherwise required by law) be treated as the absolute owner of such Bond for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such Bondholder.

(c) *Transfers*: Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Bond may be transferred upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed and signed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Bond may not be transferred unless the principal amount of Bonds transferred and (where not all of the Bonds held by a Bondholder are being transferred) the principal amount of the balance of Bonds not transferred are Authorised Denominations. Where not all the Bonds represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Bonds will be issued to the transferor. No transfer of title of a Bond will be valid unless and until registered in the Register.

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

(d) *Registration and delivery of Certificates*: Within five business days of the receipt of a duly completed form of transfer and the surrender of a Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Certificate of a like principal amount to the Bonds transferred to each relevant Bondholder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Bondholder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Bondholder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(e) *No charge*: The transfer of a Bond will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) *Closed periods*: Bondholders may not require transfers of Bonds to be registered (i) during the period of 15 days ending on (and including) the due date for any payment of principal or interest in respect of the Bonds; (ii) during the period of 15 days ending on (and including) any date on which Bonds may be called for redemption by the Issuer at its option pursuant to Condition 5(b) (*Redemption for tax reasons*); (iii) after a Change of Control Put Exercise Notice (as defined in Condition 5(c) (*Redemption for Change of Control*)) has been delivered in respect of the relevant Bonds in accordance with Condition 5(c) (*Redemption for Change of Control*) or (iv) after a No Registration Put Exercise Notice (as defined in Condition 5(d) (*Redemption for No Registration Event*)) has been delivered in respect of the relevant Bonds in accordance with Condition 5(d) (*Redemption for No Registration Event*).

(g) *Regulations concerning transfers and registration*: All transfers of Bonds and entries on the Register are subject to the detailed regulations concerning the transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Bondholder who requests in writing a copy of such regulations.

3. Covenants

(a) *Negative Pledge*: So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer shall not, and the Issuer shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without at the same time or prior thereto (a) securing the Bonds equally and rateably therewith or (b) providing such other security for the Bonds as the Trustee may in its absolute discretion considers to be not materially less beneficial to the interests of the Bondholders or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Bondholders.

(b) *Notification to NDRC*: The Issuer undertakes to file or cause to be filed with the NDRC (within 10 PRC Business Days after the Issue Date (as defined in Condition 4 (*Interest*)) the requisite information and documents in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015] 2044 號))issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**")). The Issuer shall complete the NDRC Post-issue Filing and provide such document(s) evidencing due filing with the NDRC within the prescribed timeframe to the Trustee and shall comply with all applicable PRC laws and regulations in connection with the Bonds. The Trustee shall have no duty to monitor or ensure the completion of the NDRC Post-issue Filing on or before the deadline referred to above or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issue Filing or any translation or certification thereof or to give notice to the Bondholders confirming the completion of the NDRC Post-issue Filing, and shall not be liable to any Bondholders or any other persons for any of the foregoing and for not doing so.

(c) *SAFE Registration*: The Issuer undertakes that it will complete the foreign debt registration and filing ("**Foreign Debt Registration**") and obtain a registration record from SAFE (or any other document evidencing the completion of registration issued by SAFE) within the prescribed timeframe in accordance with the Administrative Measures for Foreign Debt Registration（外債登記管理辦法）issued by SAFE and which came into effect on 13 May 2013 and any implementation rules, reports, certificates, approvals or guidelines as issued by SAFE from time to time and the Notice on Issues Relating to Macro-prudential Management of Overall Cross-border Financing（中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知）promulgated by the People's Bank of China ("**PBOC**") on 11 January 2017 and any implementation rules, reports, certificates, approvals or guidelines as issued by the PBOC.

Before the Registration Deadline and within ten PRC Business Days after submission of the NDRC Post-issue Filing and receipt of the registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE), the Issuer shall provide the Trustee and the Principal Paying Agent with:

(i) a certificate in English signed by a director who is also an Authorised Signatory (as defined in the Trust Deed) of the Issuer confirming (A) completion of the Foreign Debt Registration and (B) the submission of the NDRC Post-issue Filing and (C) the copies of the documents evidencing the Foreign Debt Registration specified in paragraph (ii) below are true and complete copies of the originals; and

(ii) copies of the relevant documents evidencing the Foreign Debt Registration (the items specified in (i) and (ii) together, the "**Registration Documents**").

Such a certificate shall contain a notice to Bondholders of the above matters attached to such certificate and an instruction to the Principal Paying Agent to give such notice to Bondholders in accordance with Condition 15 (*Notices*).

The Trustee shall have no obligation or duty to ensure the Foreign Debt Registration or the NDRC Post-issue Filing is completed or to assist the Issuer with or to monitor the Foreign Debt Registration or the NDRC Post-issue Filing or to verify whether or not the Foreign Debt Registration or the NDRC Post-issue Filing is completed or to verify the accuracy, validity and/or genuineness of any documents comprising or prepared or submitted in relation to or in connection with the Foreign Debt Registration or the NDRC Post-issue Filing, and the Trustee shall not be liable to the Bondholders, the Issuer or any other person for not doing so.

(d) *Financial Statements*: So long as any Bond remains outstanding, the Issuer shall provide to the Trustee:

(i) a Compliance Certificate of the Issuer (on which the Trustee may rely as to such compliance) within 14 days of a written request by the Trustee and at the time of provision of the Audited Financial Reports;

(ii) a copy of the Audited Financial Reports within 150 days of the end of each Relevant Period prepared in accordance with PRC GAAP (audited by a nationally recognised firm of independent accountants); and

(iii) a copy of the Unaudited Financial Reports within 90 days of the end of each Relevant Period prepared on a basis consistent with the Audited Financial Reports,

provided that, if at any time the capital stock of the Issuer is listed for trading on a recognised stock exchange, the Issuer shall provide to the Trustee, as soon as they are available but in any event not more than 14 days after any financial reports of the Issuer are filed with the exchange on which the Issuer's capital stock is at such time listed for trading, true and correct copies of any financial report filed with such exchange in lieu of the reports identified in this Condition 3(d).

Reports and accounts referred to in this Condition 3(d) which are not in the English language shall be provided to the Trustee together with an English translation of the same translated by (x) a nationally recognised firm of independent accountants or (y) a professional translation service provider and checked by a nationally recognised firm of independent accountants.

(e) *Rating Maintenance:* So long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution of Bondholders, the Issuer shall maintain a rating on the Bonds by any one of the Rating Agencies and notify the Trustee of any change in such rating in accordance with the Trust Deed.

In these Conditions:

"**Audited Financial Reports**" means the annual audited consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in owners' equity of the Issuer and its Subsidiaries together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them;

"**Compliance Certificate**" means a certificate of the Issuer signed by an Authorised Signatory certifying that, having made due enquiries, to the best of the knowledge, information and belief of the Issuer as at a date (the "**Certification Date**") not more than five days before the date of the certificate:

(a) no Event of Default, an event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 8 (*Events of Default*), become an Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and

(b) the Issuer has complied with all its obligations under the Bonds, the Trust Deed and the Agency Agreement;

"**Guarantee**" means, in relation to any indebtedness of any Person, any obligation of another Person to pay such indebtedness including (without limitation):

(a) any obligation to purchase such indebtedness;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such indebtedness;

(c) any indemnity against the consequences of a default in the payment of such indebtedness; and

(d) any other agreement to be responsible for such indebtedness;

"**Hong Kong**" means the Hong Kong Special Administrative Region of the PRC;

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

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

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

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

"**PRC GAAP**" means the Accounting Standards for Business Enterprises in the PRC;

"**Rating Agencies**" means (a) Fitch Ratings Ltd. and its affiliates and successors ("**Fitch**"); or (b) Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its affiliates and successors ("**Moody's**"); and (c) if one or more of Fitch or Moody's shall not make a rating of the Bonds publicly available, any internationally recognised securities rating agency or agencies, as the case may be, selected by the Issuer, which shall be substituted for Fitch or Moody's or any combination thereof, as the case may be;

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

"**Relevant Indebtedness**" means any indebtedness incurred outside the PRC which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument with a maturity of more than one year 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) (which for the avoidance of doubt does not include bi-lateral loans, syndicated loans or club deal loans);

"**Relevant Period**" means:

(a) in relation to each of the Audited Financial Reports and the annual Compliance Certificate of the Issuer, each period of twelve months ending on the last day of the financial year (being 31 December of that financial year); and

(b) in relation to the Unaudited Financial Reports, each period of six months ending on the last day of the first half of the financial year (being 30 June of that financial year);

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

"**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;

"**Unaudited Financial Reports**" means the semi-annual unaudited and unreviewed consolidated balance sheet, income statement, statement of cash flows and statement of changes in shareholders' equity of the Issuer and its Subsidiaries together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them;

4. Interest

The Bonds bear interest from and including 3 January 2018 (the "**Issue Date**") at the rate of 4.40 per cent. per annum, (the "**Rate of Interest**") payable semi-annually in arrear on 3 January and 3 July in each year (each, an "**Interest Payment Date**"), commencing on 3 July 2018, subject as provided in Condition 6 (*Payments*).

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 which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder and (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Bondholders that it has received all sums due in respect of the Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Interest Payment Date shall be US$22 in respect of each US$1,000 (the "**Calculation Amount**") principal amount of the Bonds. If interest is required to be paid in respect of a Bond on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant day-count fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

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

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

5. Redemption and Purchase

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 3 January 2021, subject as provided in Condition 6 (*Payments*).

(b) *Redemption for tax reasons*: The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:

(i) the Issuer has or will become obliged to pay Additional Amounts (as defined in Condition 7 (*Taxation*)) as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 21 December 2017; and

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

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

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

(A) a certificate in English signed by an Authorised Signatory of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and

(B) an opinion in form and substance satisfactory to the Trustee of independent legal or tax advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

The Trustee shall be entitled to accept and rely upon such certificate and opinion (without further investigation or enquiry) as sufficient evidence of the satisfaction of the circumstances set out in (i) and (ii) above, in which event they shall be conclusive and binding on the Bondholders.

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

(c) *Redemption for Change of Control*: At any time following the occurrence of a Change of Control, each Bondholder will have the right, at such Bondholder's option, to require the Issuer to redeem all but not some only of that Bondholder's Bonds on the Change of Control Put Settlement Date at 101 per cent. of their principal amount, together with accrued interest to (but excluding) such Change of Control Put Settlement Date. To exercise such right, the Bondholder must deposit at the Specified Office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the Specified Office of any Paying Agent (a "**Change of ControlPut Exercise Notice**"), together with the Certificates evidencing the Bonds to be redeemed by not later than 30 days following a Change of Control, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 15 (*Notices*). The "**Change of Control Put Settlement Date**" referred to in this Condition 5(c) shall be the 14th day after the expiry of such period of 30 days as referred to above.

The Issuer shall give notice to Bondholders and the Trustee in accordance with Condition 15 (*Notices*) by not later than 14 days following the first day on which the Issuer becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by Bondholders of their rights to require redemption of the Bonds pursuant to this Condition 5(c).

In this Condition 5(c):

a "**Change of Control**" occurs when SASAC or any other person or entity (directly or indirectly) Controlled by the government of the PRC (such person or entity and SASAC, each a "**PRC Government Person**") ceases to Control the Issuer; and

"**Control**" means with respect to a Person (where applicable) (i) the ownership, acquisition or control of 100 per cent. of the voting rights of the issued share capital of the Issuer, whether obtained directly or indirectly or (ii) the possession, directly or indirectly, of the power to nominate or designate all members then in office of such Person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise. For the avoidance of doubt, a Person is deemed to Control another Person so long as it fulfils one of the two foregoing requirements and the terms "**Controlling**" and "**Controlled**" have meanings correlative to the foregoing; and

"**SASAC**" means the State-owned Assets Supervision and Administration Commission of the Jiaxing City（嘉興市國有資產監督管理委員會）.

(d) *Redemption for No Registration Event:* At any time following the occurrence of a No Registration Event, each Bondholder will have the right, at such Bondholder's option, to require the Issuer to redeem all, but not some only, of that Bondholder's Bonds on the No Registration Put Settlement Date (as defined below for Condition 5(d)) at 100 per cent. of their principal amount, together with accrued interest up to (but excluding) the No Registration Put Settlement Date. To exercise such right, the Bondholder must deposit at the Specified Office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the Specified Office of any Paying Agent (a "**No RegistrationPut Exercise Notice**"), together with the Certificates evidencing the Bonds to be redeemed by not later than 30 days following a No Registration Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 15 (*Notices*). The "**No RegistrationPut Settlement Date**" referred to in this Condition 5(d) shall be the fifth day after the expiry of such period of 30 days as referred to above.

The Issuer shall give notice to Bondholders and the Trustee in accordance with Condition 15 (*Notices*) by not later than 14 days following the first day on which the Issuer becomes aware of the occurrence of a No Registration Event, which notice shall specify the procedure for exercise by Bondholders of their rights to require redemption of the Bonds pursuant to this Condition 5(d).

In this Condition 5(d):

a "**No Registration Event**" occurs when the Registration Documents are not received by the Trustee on or before the Registration Deadline.

A Change of Control Put Exercise Notice or a No Registration Put Exercise Notice once delivered, shall be irrevocable and the Issuer shall redeem the Bonds subject to the relevant put exercise notices delivered as aforesaid.

(e) *No other redemption*: The Issuer shall not be entitled to redeem the Bonds otherwise than as provided in Condition 5(a) (*Scheduled redemption*) to Condition 5(d) (*Redemption for No Registration Event*) above.

(f) *Purchase*: The Issuer or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise and at any price.

(g) *Cancellation*: All Bonds so redeemed or purchased by the Issuer or any of its Subsidiaries shall be cancelled and may not be reissued or resold.

(h) *No duty to monitor:* The Trustee shall not be obliged to take any steps to ascertain whether a Change of Control, Potential Event of Default (as defined in the Trust Deed) or Event of Default has occurred or to monitor the occurrence of any Change of Control, Potential Event of Default or Event of Default, and shall not be liable to the Bondholders or any other person for not doing so.

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

6. Payments

(a) *Principal and Interest*: Payments of principal and interest shall be made by transfer to a US dollar account maintained by the payee with a bank in New York City and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

(b) *Payments subject to fiscal laws*: All payments in respect of the Bonds are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the US Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

(d) *Payments on business days*: Where payment is to be made by transfer to a US dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Bondholder shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day. In this paragraph, "**business day**" means any day on which banks are open for general business (including dealings in foreign currencies) in New York City, London and Hong Kong and, in the case of surrender (or, in the case of part payment only, endorsement) of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed).

(e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Bond, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.

(f) *Record date*: Each payment in respect of a Bond will be made to the person shown as the Bondholder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**").

*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 Bondholder 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.*

7. Taxation

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

Where such withholding or deduction is made by the Issuer in the PRC up to the rate of withholding applicable on 21 December 2017 (the "**Applicable Rate**"), the Issuer will pay such additional amounts as will result in receipt by the Bondholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.

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

(a) held by a Bondholder which is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of its having some connection with the PRC other than the mere holding of the Bond; or

(b) where (in the case of a payment of principal or interest on redemption) the relevant Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Bondholder would have been entitled to such Additional Amounts if it had surrendered the relevant Certificate on the last day of such period of 30 days.

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

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

If the Issuer becomes subject at any time to any taxing jurisdiction other than the PRC, references in these Conditions to the PRC shall be construed as references to the PRC and/or such other jurisdiction.

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

8. Events of Default

If any of the following events (each, an "**Event of Default**") occurs, then the Trustee at its discretion may and, if so requested in writing by Bondholders of at least one quarter of the aggregate principal amount of the outstanding Bonds or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) give written notice to the Issuer declaring the Bonds to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together (if applicable) with accrued interest without further action or formality:

(a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Bonds on the due date for payment thereof or fails to pay any amount of interest in respect of the Bonds within 14 days of the due date for payment thereof; or

(b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Bonds or the Trust Deed and such default (i) is incapable of remedy or (ii) being a default which is capable of remedy, remains unremedied for 30 days after the Trustee has given written notice thereof to the Issuer; or

(c) *Cross-default of Issuer or Subsidiary*:

(i) any indebtedness of the Issuer or any of its Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period; or

(ii) any such indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the relevant Subsidiary or (provided that no event of default, howsoever described, has occurred) any person entitled to such indebtedness; or

(iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any indebtedness;

provided that the amount of indebtedness referred to in sub-paragraph (i) and/or subparagraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above, individually or in the aggregate, exceeds US$30,000,000 (or its equivalent in any other currency or currencies); or

(d) *Unsatisfied judgment*: one or more judgment(s) or order(s) for the payment of any amount in excess of US$30,000,000 (or its equivalent in any other currency or currencies), whether individually or in the aggregate, is rendered against the Issuer or any of its Subsidiaries and continue(s) unsatisfied or unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a material part of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries and is not discharged or stayed within 30 days; or

(f) *Insolvency, etc.*: (i) the Issuer or any of its Principal Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer or any of its Principal Subsidiaries or the whole or a material part of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries, (iii) the Issuer or any of its Principal Subsidiaries 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 material indebtedness or any Guarantee of any material indebtedness given by it; or

(g) *Winding up*, etc.: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Principal Subsidiaries or the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business except for the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of Bondholders, or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or another Subsidiary; or

(h) *Nationalisation:* any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of the whole or a material part of the assets of the Issuer or any of its Principal Subsidiaries; or

(i) *Failure to take action, etc.*: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Bonds or the Trust Deed, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Certificates the Trust Deed and the Agency Agreement admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

(j) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Bonds, the Trust Deed or the Agency Agreement; or

(k) *Analogous event*: any event occurs which under the laws of the PRC has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (g) (*Winding up, etc.*) above.

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

(a) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited income statement are at least 5 per cent. of the consolidated revenue as shown by the latest audited consolidated income statement of the Issuer and its Subsidiaries; or

(b) whose gross profit or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross profit, as shown by its latest audited income statement are at least 5 per cent. of the consolidated gross profit as shown by the latest audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

(c) whose gross assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross assets, as shown by its latest audited balance sheet are at least 5 per cent. of the amount which equals the amount included in the consolidated gross assets of the Issuer and its Subsidiaries as shown by the latest audited consolidated balance sheet of the Issuer and its Subsidiaries including, for the avoidance of doubt, the investment of the Issuer in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and after adjustment for minority interests; or

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

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

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

(ii) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenue, gross profit or gross assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Issuer;

(iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, gross profit or gross assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer; and

(iv) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Issuer, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer.

A report by two Authorised Signatories whether or not addressed to the Trustee that in their opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties.

9. Prescription

Claims for principal and interest in respect of the Bonds shall become void unless the relevant Certificates are surrendered for payment within ten years (in case of principal) or five years (in case of interest) of the appropriate Relevant Date in respect of them.

10. Replacement of Certificates

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

11. Trustee and Agents

Under the Trust Deed, the Trustee is entitled to be indemnified and/or provided with security and/or pre-funded and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Bondholders. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst case scenario and (ii) to require that any indemnity or security given to it by the Bondholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, inter alia, (i) to enter into any financial or other transactions with the Issuer and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Holders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

In the exercise of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination) under these Conditions, the Trust Deed and the Agency Agreement, the Trustee will shall have regard to the general interests of the Bondholders as a class but shall not have regard to any interests arising from circumstances particular to individual Bondholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Holder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders except to the extent already provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

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

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or principal paying agent and additional or successor paying agents and transfer agents; *provided, however, that* the Issuer shall at all times maintain a principal paying agent and a registrar.

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

12. Meetings of Bondholders; Modification and Waiver

(a) *Meetings of Bondholders*: The Trust Deed contains provisions for convening meetings of Bondholders to consider matters relating to the Bonds, including the modification of any provision of these Conditions and the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or by the Trustee and shall be convened by the Trustee upon the request in writing of Bondholders holding not less than one-tenth of the aggregate principal amount of the outstanding Bonds. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Bonds or, at any adjourned meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal, premium or interest in respect of the Bonds, to reduce the amount of principal, premium or interest payable on any date in respect of the Bonds, to alter the method of calculating the amount of any payment in respect of the Bonds or the date for any such payment, to change the currency of payments under the Bonds, to amend Condition 3 (*Covenants*) or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Bondholders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders, whether present or not and whether or not they voted on the Extraordinary Resolution.

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

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

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

(c) *Directions from Bondholders*: Notwithstanding anything to the contrary, the Bonds, the Trust Deed and/or the Agency Agreement, whenever the Trustee is required or entitled by the terms or conditions in the Bonds, the Trust Deed and/or the Agency Agreement to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Bondholders by way of an Extraordinary Resolution and shall have been indemnified and/or provided with security and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions.

(d) *Certificates and Reports*: The Trustee may rely without liability to Bondholders on a report, advice, opinion, confirmation or certificate from any lawyers, valuers, accountants (including auditors and surveyors), financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, opinion or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Bondholders.

13. Enforcement

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

(a) it has been so requested in writing by the Bondholders of at least one quarter of the aggregate principal amount of the outstanding Bonds or has been so directed by an Extraordinary Resolution; and

(b) it has been indemnified and/or provided with security and/or pre-funded to its satisfaction.

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

14. Further Issues

The Issuer may from time to time, without the consent of the Bondholders and in accordance with the Trust Deed, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest and the timing for reporting to the NDRC and the timing of registration of the Bonds with SAFE) so as to consolidate and form a single series with the outstanding Bonds. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of bonds having the benefit of the Trust Deed.

15. Notices

Notices to the Bondholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

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

17. Contracts (Rights of Third Parties) Act 1999

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

18. Governing Law and Jurisdiction

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

(b) *Jurisdiction*: The Issuer has in the Trust Deed and the Agency Agreement (i) agreed for the benefit of the Trustee and the Bondholders or (as the case may be) the Agents that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Bonds, the Trust Deed and the Agency Agreement (including any non-contractual obligation arising out of or in connection with the Bonds and such documents); (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; (iii) designated a person in Hong Kong to accept service of any process on its behalf; (iv) consented to the enforcement of any judgment; and (v) to the extent that it may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

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

Terms defined in the Terms and Conditions set out in this Offering Circular have the meaning in the paragraph below.

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

Under the Global Certificate, the Issuer, for value received, will promise to pay the amount payable upon redemption under the Terms and Conditions represented by the Global Certificate to the Bondholders in such circumstances as the same may become payable in accordance with the Terms and Conditions.

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

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

Notices

So long as the Bonds are evidenced 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.

Payment Record Date

Each payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the 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.

Bondholder's redemption

The Bondholder's redemption option in Condition 5(c) and 5(d) may be exercised by the holder of this 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 and such redemption will be effected in accordance with the rules and procedures of Euroclea and Clearstream (or any Alternative Clearing System).

Transfers

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

DESCRIPTION OF THE GROUP

OVERVIEW

The Group is one of the most important city construction and investment platforms in Jiaxing City and an urban asset construction, developing and operating entity designated by the Jiaxing Municipal Government to develop Jiaxing City. The Group's operations and investments primarily focus on natural gas supply, real property development, tourism, engineering settlement, primary land development, construction of municipal infrastructure projects and others. It also undertakes the task of preserving and enhancing the value of state-owned assets which it is authorised to operate and manage. The Group is the sole piped natural gas operator focusing on construction and operation of natural gas pipelines and natural gas supply in Jiaxing City. Since its establishment in 2009, by taking advantage of the strong support it has been receiving from the Jiaxing Municipal Government, the Group has undertaken primary land development, affordable housing construction and construction and development of a number of municipal infrastructure projects which are considered important to the urbanisation of Jiaxing City.

Jiaxing City is a prefecture-level city located in the northern of Zhejiang Province and well positioned as an important city in the Yangtze River Delta and on the Beijing-Hangzhou Grand Canal. As at 30 June 2017, Jiaxing City has two municipal districts, three county-level cities and two counties. Jiaxing has experienced rapid economic development in recent years. According to the Jiaxing Statistics Bureau, Jiaxing City's GDP was RMB335.3 billion, RMB351.7 billion and RMB376.0 billion for the years ended 31 December 2014, 2015 and 2016, respectively, representing a year-on-year growth of 7.5 per cent., 7.0 per cent. and 7.0 per cent, respectively. According to the Jiaxing Statistics Bureau, for the six months ended 30 June 2017, Jiaxing City's GDP was RMB190.4 billion and it was ranked the ninth in terms of the GDP growth rate among 16 cities in the Yangtze River Delta.

Over the years, the Group has diversified its business portfolio to include natural gas supply, real property development, tourism, engineering settlement, primary land development, construction of municipal infrastructure projects and others. Set forth below is an overview of the principal business segments of the Group:

- *Natural gas supply.* The Group is the sole piped natural gas operator focusing on construction and operation of natural gas pipelines and natural gas supply in Jiaxing City. It focuses its business operations on the midstream and downstream market segment, which comprises of the procurement of natural gas, natural gas pipelines construction and operation and sale of natural gas. For the years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017, the revenue generated from the Group's natural gas supply business was RMB1,384.3 million, RMB998.4 million, RMB448.0 million and RMB625.8 million, respectively, representing 68.5 per cent., 54.3 per cent., 72.8 per cent. and 46.9 per cent., respectively, of the Group's total revenue for the same periods.

- *Real property development.* The Group derived revenue from its real property development business mainly through (i) development and sale of commercial properties and (ii) development and sale of affordable housing properties as commercial properties with approval from Jiaxing Municipal Government. For the years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017, the Group's revenue generated from real property development was RMB315.7 million, RMB522.6 million, RMB71.4 million and RMB573.7 million, respectively, representing 15.6 per cent., 28.4 per cent., 10.6 per cent. and 43.0 per cent., respectively, of the total revenue of the Group.

- *Tourism.* The Group's tourism business mainly involves operation of tourist attractions, construction and operation of hotels and tourism property leasing and management. Located in the Yangtze River Delta, the Group plans to consolidate its current tourist resources to establish a leading position in the tourism sector in the Yangtze River Delta and focus on the development of "One Lake, Two Rivers and Three Street Districts" (一湖兩河三街區). It focuses on the development of the revolution-era tourist site. For the years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017, the revenue generated from the Group's tourism business was RMB227.2 million, RMB213.1 million, RMB79.3 million and RMB99.5 million, respectively, representing 11.2 per cent., 11.6 per cent., 11.8 per cent. and 7.5 per cent., respectively, of the Group's total revenue for the same periods.

- *Engineering settlement.* The Group derived revenue from its engineering settlement business mainly through (i) landscaping and (ii) construction of government project. For the years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017, the Group's revenue generated from engineering settlement was RMB15.4 million, RMB31.8 million, RMB9.0 million and RMB4.0 million, respectively, representing 0.8 per cent., 1.7 per cent., 1.3 per cent. and 0.3 per cent., respectively, of the total revenue of the Group.

- *Primary land development.* The Group is commissioned by the Jiaxing Municipal Government to conduct the primary land development in the areas within the second ring road and some specified area with a total site area of approximately 27.5 million square metres in Jiaxing City. Primary land development conducted by the Group involves land clearance and construction of power networks, water, transportation, telecommunication, sewerage, gas and heat so that the land becomes ready for sale by the Jiaxing Land and Resources Bureau. As at the date of this Offering Circular, the Group's primary land development business has not generated any revenue but has improved its cash flow. Upon completion of the development of a parcel of land, the Jiaxing Land and Resources Bureau grants land use rights of the land developed by the Group through public tender-bidding, auction or listing to real property developers. The Group's fund from the primary land development is primarily derived from a portion of the land use right purchase price paid by real property developers to the Jiaxing Bureau of Finance, who will in turn pay to the Group after statutory deduction is made.

- *Construction of Municipal Infrastructure Projects.* The Group is the leading enterprise engaged by the Jiaxing Municipal Government to undertake the municipal infrastructure projects including road construction and reformation, landscaping, piping network construction and other public facilities in Jiaxing City. As at the date of this Offering Circular, the Group's municipal infrastructure construction business has not generated any revenue because the infrastructure projects are regarded as assets developed for public welfare, which the Group holds on behalf of the Jiaxing Municipal Government.

- *Others.* The Group's other businesses primarily include sale and transportation of commodities and other miscellaneous business. For the years ended 31 December 2015 and 2016 and six months ended 30 June 2016 and 2017, the revenue generated from the Group's other businesses was RMB77.6 million, RMB74.1 million, RMB22.9 million and RMB31.5 million, respectively, representing 3.9 per cent., 4.0 per cent., 3.4 per cent. and 2.4 per cent., respectively, of the Group's total revenue.

For the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017, the Group's total revenue was RMB2,020.3 million, RMB1,840.1 million and RMB1,334.5 million, respectively, and its net profit was RMB203.7 million, RMB191.0 million and RMB51.5 million, respectively. As at 30 June 2017, the Group's total assets were valued at RMB23,853.1 million.

COMPETITIVE STRENGTHS

The Group believes that its competitive strengths outlined below distinguish it from its competitors and are important to its success and future development:

Strong support of the Jiaxing Municipal Government

Being designated by the Jiaxing Municipal Government to develop Jiaxing City, the Group has received strong support from the Jiaxing Municipal Government, which is critical to the Group's business operation. The government support received by the Group primarily includes:

- *Capital injections.* Since its establishment, the Group has received capital injections from the Jiaxing Municipal Government and Jiaxing SASAC on various occasions. In 2010, the Jiaxing SASAC increased the Issuer's registered capital by RMB30.0 million. In 2014, the Jiaxing SASAC approved the Issuer to increase the Issuer's registered capital of RMB220.0 million.

- *Government subsidies.* The Group also receives financial support from the Jiaxing Municipal Government in the form of government grants and subsidies. For the years ended 31 December 2015 and 2016, the government grants and the distribution of the land use right purchase price received by the Group amounted to RMB779.06 million and RMB976.57 million, respectively.

- *Asset injections.* The Jiaxing Municipal Government has injected high-quality assets into the Group from time to time. Since the establishment of the Group, the Jiaxing Municipal Government has transferred the equity interests of 11 companies such as Jiaxing City Construction Investment Co., Ltd. (嘉興市城市建設投資有限公司) to the Group with total net assets of approximately RMB5.5 billion. In addition, the Group has received the land use rights with a total site area of 27.5 kilometres allocated by the Jiaxing Municipal Government since its establishment.

- *Close participation in management.* The Jiaxing Municipal Government closely participates in the management of the Group. The Issuer is a directly wholly-owned subsidiary of Jiaxing City Cultural Mingcheng Investment Group Co., Ltd. (嘉興市文化名城投資集團公司), which is directly wholly owned by Jiaxing SASAC. The Jiaxing Municipal Government has the authority to appoint the directors and senior management of the Issuer and to review their performance.

Diversified business portfolio and asset base to provide stable return to the Group

The Group has a diversified business portfolio and asset base which provides it with steady revenue and cash flows from its businesses and enhance its risk resilience. The Group's natural gas supply, real property development and tourism businesses are its principal sources of revenue. The Group's primary land development and construction of municipal infrastructure projects supplements its cash flow. The Group's other businesses also provide stable revenue and cash flows to the Group. For details of the Group's business, see "– *Description of the Group's Business*".

The Group's diversified business portfolio minimises the risk of business concentration and the level of volatility in its overall earnings and financial position as a result of changes in industrial conditions, selling prices or costs within any one sector. The Group's diversified business portfolio allows it to be less reliant on any single business segment and achieve more stable growth. The steady and diversified source of revenue and cash flows give the Group stability as well as flexibility in managing its operations.

Diversified funding channels

The Group has access to various funding channels and it has the ability to tap these sources of funding depending on market conditions, thereby increasing its ability to secure favourable financing terms and enhancing its funding efficiency. As at 30 June 2017, the Group had an outstanding balance of debt financing instruments of RMB1,940.0 million, comprising medium term notes of RMB1,070.0 million and privately placed debt financing instruments of RMB870.0 million. The Group believes that its ability to obtain financing gives it a comparative advantage over competitors with only access to limited funding sources. As such, the Group believes that it has a robust liquidity position with access to diversified funding sources. The Group actively manages its cash flow and capital commitments to ensure that it has sufficient funds to meet its existing and future cash flow requirements.

In addition to cash generated from its operations, the Group has maintained long-term relationships with a large number of domestic and international banks, including China Development Bank, Industrial and Commercial Bank of China, Agricultural Bank of China, China Construction Bank, Bank of Communications, China CITIC Bank International, China Minsheng Bank and Industrial Bank. As at 30 June 2017, the Group had credit facilities amounting to a total of approximately RMB4.8 billion, of which approximately RMB1.2 billion granted by commercial banks had not been utilised. The Group's strong financing capability has enabled it to capitalise on various business opportunities to purchase or construct new facilities and equipment in each of the industries in which it operates.

Sound and effective corporate governance and internal control

The Issuer has instituted a sound corporate governance and internal control system which it believes distinguishes itself from other enterprises in Jiaxing City. The Group's corporate governance structure consists of the board of directors, the board of supervisors and seven departments which undertake different functions concerning the daily operations of the Group, namely, the General Office, Discipline and Inspection Supervision Office, Human Resources Department, Quality and Safety Department, Finance Department, General Strategy Office and Investment and Development Department. For details of internal departments of the Issuer, see "*Directors, Supervisors and Senior Management – Corporate Governance*".

In addition, the Jiaxing Municipal Government closely participates in the management of the Group and has the authority to appoint directors and senior management of the Issuer and to review their performance. The Group has also established several effective internal control systems, including internal discussion rules, financial management system, external guarantees management system, related transaction system, investment and financing management system, external investment management system, budget management system, bidding system, internal audit management system and safe production management system.

Experienced management team with sound corporate governance

The Group's management team has extensive experience in various businesses of the Group including natural gas supply, project management, finance and accounting, infrastructure construction and urban operations. Many members of the Group's management team have previously served as senior officials within various government departments in Jiaxing City. The Group believes that its management team's extensive experience in a broad range of industries and strong execution capabilities will continue to be instrumental in executing its business strategies and capturing market opportunities as they arise, and contribute to the sustainable growth of the Group.

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

BUSINESS STRATEGIES

The Group's goal is to continue to grow its asset base, optimise its capital structure and enhance operational efficiency. The Group intends to focus on the following strategies:

Capitalise on opportunities to further expand the natural gas supply business

As a result of the Chinese government's continued focus on increasing the supply and consumption of clean energy sources such as natural gas, the Group believes that the prospect of the natural gas market in Jiaxing City is promising and will present new business opportunities. The Group plans to capitalise on such new opportunities to further develop its natural gas supply business in Jiaxing City. In particular, leveraging the strong track record of the Group's natural gas supply business, it aims to increase its natural gas sales volume by attracting more large industrial customers and expanding the coverage of its natural gas pipeline networks in Jiaxing City. It aims to complete the construction of Jiaxing City Medium and Low Pressure Pipelines for Transporting Natural Gas Projects（嘉興市區天然氣中低壓輸配工程）progressively. Leveraging the strong support from the Jiaxing Municipal Government, the Group believes that it is well-positioned to further expand its operations in its natural gas supply business. For example, the Group endeavours to facilitate the conversion of taxis from oil to natural gas and the replacement of oil-burning boilers with natural gas boilers.

Actively continue to focus on primary land development and construction of municipal infrastructure projects in Jiaxing City

The Group believes that the existing urban planning and development policies of the Jiaxing Municipal Government will lead to further growth opportunities in the Group's primary land development and construction of municipal infrastructure projects business. By participating and successfully delivering a number of large-scale projects of primary land development and infrastructure construction in Jiaxing City in the past years, the Group has built a strong presence and a leading market position in Jiaxing City. Going forward, the Group will continue to focus on undertaking primary land development and infrastructure construction projects in Jiaxing City. By leveraging on its extensive industry and execution experience, the Group believes that it will continue to play a key role to execute the Jiaxing Municipal Government's city development plans.

Integrate tourism resources in Jiaxing City and develop into a comprehensive tourism group

The Group has endeavoured to leverage the tourism resources in Jiaxing City and speed up the construction of tourist attractions. The Group intends to further integrate the tourism resources in Jiaxing City and to build a comprehensive travel service platform that offers a variety of travel services such as scenic spot sightseeing, hotels and resorts and etc. The Group strives to increase its effort in marketing, especially in the Yangtze River Delta Economic Zone. Ultimately, the Group aims to develop its tourism business into a large-scale and comprehensive network that is able to increase the awareness of Jiaxing City as an international tourism destination.

__Strengthen management structure and internal control systems__

The Group will continue to improve and streamline its management structure and internal control systems, so as to further increase its safety and quality control capabilities. In addition, the Group considers effective project management to be critical to enhancing its overall operational efficiency. Mechanisms will be put in place to gradually implement the coordination of tendering and bidding management among various operational units. The Group will also allocate more resources to the Group's research and development for construction, new technologies, and project and operation management methods, while gradually implementing a centralised management system over its fixed assets, such as key technical equipment.

__Adhere to prudent financial policy with stringent risk control and enhanced financial management__

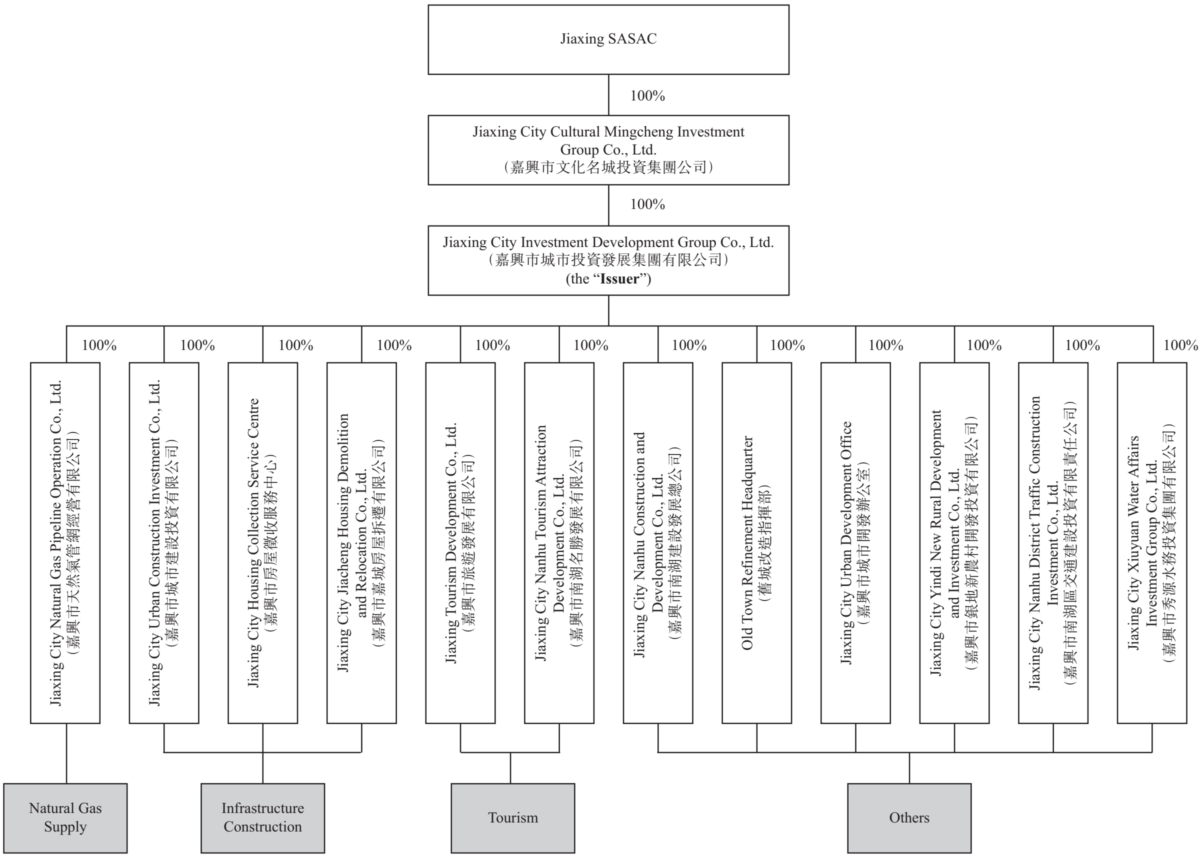
The Group plans to adhere to prudent financial policy with stringent risk control and enhanced financial management. The Group has established standardised capital management mechanisms to monitor capital, capital efficiency and capital risk prevention to effectively enhance the results and efficiency of its capital management. In respect of financial management, the Group focuses on contributing to the sustainable, healthy and rapid development of the Group and providing financial stability through financial risk control, value creation, implementation of budget management and the establishment of information platforms to assist communications and interaction between business operations and financial management. The Group will also continue to strengthen cooperation with banks, seek alternative sources of financing and maintain a balanced indebtedness structure consisting of short-term, medium-term and long-term credit facilities. The Group strives to prudently manage its financials while fulfilling investment and development needs to drive its profitability.

__Explore new financing channels__

The Group has traditionally funded its business operation and working capital through bank loans and issuance of short– to medium-term notes in the domestic market. The Group maintains long-term relationships with several commercial banks and other financial institutions in the PRC, which have provided low-cost capital to support its business. As at 30 June 2017, the Group had credit facilities amounting to a total of approximately RMB4.8 billion, of which approximately RMB1.2 billion had not been utilised. The Group intends to explore and employ new financing channels to secure funding on more favourable terms to better support the financing needs of the Group's development projects.

GROUP STRUCTURE

The following chart presents a simplified structure of the Group and the shareholding of the Issuer as at 30 June 2017:



DESCRIPTION OF THE GROUP'S BUSINESS

Overview

The Group is one of the most important city construction and investment platforms in Jiaxing City and an urban asset construction, developing and operating entity designated by the Jiaxing Municipal Government to develop Jiaxing City. The Group's operations and investment primarily focus on six business segments, namely (i) natural gas supply, (ii) real property development, (iii) tourism, (iv) engineering settlement, (v) primary land development, and (vi) construction of municipal infrastructure projects.

The following table sets forth a breakdown of the Group's total revenue by business segment for the periods indicated:

Business segment	Year ended 31 December				Six months ended 30 June			
	2015		2016		2016		2017	
	Amount (RMB'000)	*Per cent. of total*	*Amount (RMB'000)*	*Per cent. of total*	*Amount (RMB'000)*	*Per cent. of total*	*Amount (RMB'000)*	*Per cent. of total*
Natural gas supply	1,384,329	68.5	998,412	54.3	488,017	72.8	625,810	46.9
Real property development	315,702	15.6	522,649	28.4	71,378	10.6	573,712	43.0
Tourism	227,178	11.2	213,093	11.6	79,339	11.8	99,540	7.5
Engineering settlement	15,422	0.8	31,838	1.7	8,986	1.3	3,944	0.3
Primary land development	–	–	–	–	–	–	–	–
Construction of municipal Infrastructure projects	–	–	–	–	–	–	–	–
Others[(1)]	77,647	3.9	74,125	4.0	22,901	3.4	31,516	2.4
Total	2,020,278	100.0	1,840,116	100.0	670,620	100.0	1,334,522	100.0

Note:

(1) Including the revenue derived from others primarily include sale of goods, transportation of commodities and other miscellaneous businesses.

Natural Gas Supply

Overview

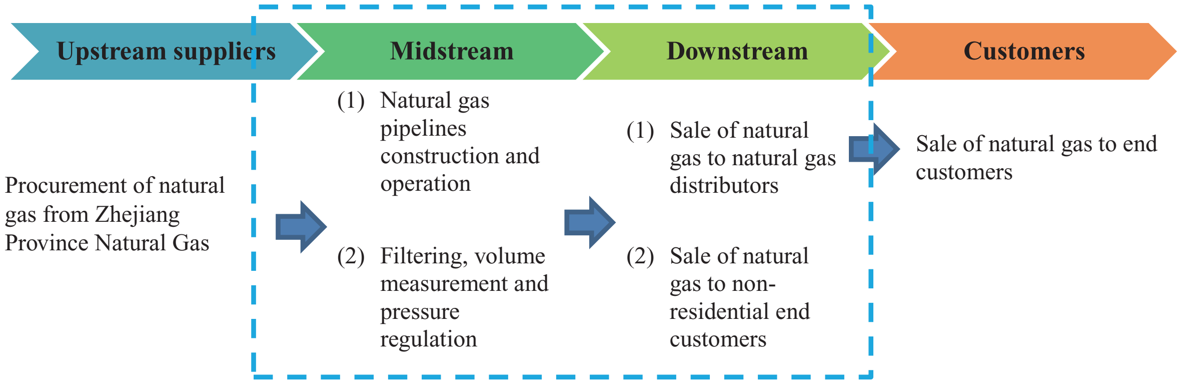
The Group is the sole piped natural gas operator focusing on construction and operation of natural gas pipelines and natural gas supply in Jiaxing City. It conducts its natural gas supply business primarily through Jiaxing City Natural Gas Pipeline Operation Co., Ltd.（嘉興市天然氣管網經營有限公司）("**Jiaxing Natural Gas**"), which is a directly wholly-owned subsidiary of the Issuer. Jiaxing Natural Gas purchases the natural gas from Zhejiang Province Natural Gas Development Co., Ltd.（浙江省天然氣開發有限公司）("**Zhejiang Province Natural Gas**") and sells it to distributors, such as Jiaxing City Gas Group Co., Ltd.（嘉興市燃氣集團股份有限公司）and certain non-residential end customers in Jiaxing City. In December 2007, the Group was exclusively authorised to operate the natural gas pipelines in Jiaxing City for a term of 25 years from 1 January 2008 to 31 December 2032.

For the years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017, the revenue generated from the Group's natural gas supply business was RMB1,384.3 million, RMB998.4 million, RMB448.0 million and RMB625.8 million, respectively, representing 68.5 per cent., 54.3 per cent., 72.8 per cent. and 46.9 per cent., respectively, of the Group's total revenue.

Business Model

The natural gas market in Jiaxing City consists of three market segments: upstream, midstream and downstream, which generally correspond to production, transmission and distribution, respectively. Production involves underground exploration, drilling, extraction and refining of natural gas. Transmission involves transportation of the refined natural gas from the refineries to distributors via truck pipelines under high pressure so that natural gas may be supplied at high speed. Distribution involves transportation and sale of natural gas through branch pipelines or distribution network to distributors and end customers. As Jiaxing Natural Gas is primarily an operator of natural gas pipelines, it focuses its business operations on the midstream and downstream market segment.

The chart below illustrates Jiaxing Natural Gas's major business activities as they relate to the standard natural gas distribution process in Jiaxing City:



The Group's midstream and downstream natural gas business comprises four major components: (i) procurement of natural gas, (ii) natural gas pipelines construction and operation, (iii) filtration, metring and regulating and (iv) sale of natural gas.

Procurement of Natural Gas

Pursuant to the Meeting Minutes of the Zhejiang Province Government ([2007] No.39) (浙江省人民政府專題會議紀要[2007]39號文件), Jiaxing Natural Gas shall only procure the piped natural gas from Zhejiang Province Natural Gas. Jiaxing Natural Gas and Zhejiang Province Natural Gas entered into annual supply contracts, which set forth the specific terms such as minimum procurement volume and selling price of the natural gas. The selling price of the natural gas by Zhejiang Province Natural Gas shall be reviewed and determined by Pricing Bureau of Zhejiang Province, which may take into account many factors, such as changes in the national policies in relation to the natural gas price, some of which are beyond the Group's control.

The table below sets forth the Group's procurement volumes of the natural gas and the average selling price by Zhejiang Province Natural Gas for the years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017:

	Year ended 31 December		**Six months ended 30 June**	
	2015	**2016**	**2016**	**2017**
Procurement volume *('000 cubic metres)*	427,233	466,848	230,646	304,165
Average selling price *(RMB/cubic metre)*	2.90	2.27	2.32	2.21
Total purchase price of contract *(RMB'000)*	1,238,661	1,059,820	529,146	673,664

Natural Gas Pipelines Construction and Operation

As part of the midstream and downstream natural gas market segment, Jiaxing Natural Gas builds, owns and operates natural gas pipelines, through which it transmits natural gas from upstream supplier to distributors and certain non-residential end customers. The natural gas pipelines constructed and operated by Jiaxing Natural Gas can be divided into two categories: (i) high pressure pipelines for transmitting the natural gas procured from Zhejiang Province Natural Gas; and (ii) medium and low pressure pipelines for transmitting the natural gas to distributors and certain non-residential end customers in Jiaxing City. As at 30 June 2017, Jiaxing Natural Gas completed the construction of and operated natural gas pipelines with an aggregate designed transmission capacity of 1,500,000,000 cubic metres in Jiaxing City.

Filtering, Volume Measurement and Pressure Regulation

The piped natural gas purchased from Zhejiang Province Natural Gas will undergo further processing such as filtering, volume measurement and further pressure regulation, before selling and transporting to natural gas distributors and certain non-residential end customers. Filtering refers to a process of filtering the common contaminants such as rust from upstream natural gas to minimise the harm to the pipelines during the transportation. Volume measurement refers to a process of measuring the natural gas supplied to the Group's customers. Pressure regulation refers to a process of adjusting the pressure of the natural gas based on the daily gas volume and flow rate to ensure the safety of natural gas supply.

Sale of Natural Gas

The revenue of Jiaxing Natural Gas is derived from the sale of the natural gas to Jiaxing City Gas Group Co., Ltd., other natural gas distributors and certain non-residential end customers in Jiaxing City pursuant to the sale and purchase agreements entered into between themselves. The selling price of the natural gas by the Group to natural gas distributors and non-residential end customers may only be approved by Pricing Bureau of Zhejiang Province and Jiaxing Pricing Bureau and the selling price of the natural gas by the Group to residential end customers shall be decided after a public hearing. Pursuant to Notice on the Reduction of the Selling Price of Natural Gas to Enterprises (Zhejiadian [2016] No.67)（浙江省物价局關於降低企業用氣價格的通知(浙價電[2016]67號)） issued by Pricing Bureau of Zhejiang Province in 2016, the selling price of the natural gas to non-residential customers, including industrial and commercial customers, in Jiaxing City shall be RMB2.294 per cubic metre (including the VAT).

The table below sets forth the Group's sales volume of natural gas and the average selling price by the Group for the years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017:

	Year ended 31 December		**Six months ended 30 June**	
	2015	**2016**	**2016**	**2017**
Sales volume *('000 cubic metres)*	422,991	465,831	230,646	303,921
Average selling price *(RMB/cubic metre)*	3.02	2.09	2.15	2.06
Total sales price *(RMB'000)*............	1,278,367	977,370	495,330	625,810

Real Property Development

Overview

The Group derived revenue from its real property development business mainly through (i) development and sale of commercial properties and (ii) development and sale of affordable housing properties as commercial properties with approval from Jiaxing Municipal Government. For the years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017, the Group's revenue generated from its real property development business was RMB315.7 million, RMB522.6 million, RMB71.4 million and RMB573.7 million, respectively, representing 15.6 per cent., 28.4 per cent., 10.6 per cent. and 43.0 per cent., respectively, of the total revenue of the Group.

The Group is engaged in the real property development primarily through Jiaxing City Urban Construction Investment Co., Ltd. (嘉興市城市建設投資有限公司) and Jiaxing City Urban Construction Real Properties Development Co., Ltd. (嘉興市城建地產開發有限公司), both of which are wholly-owned subsidiaries of the Issuer and real property developers with level three real property development qualifications. As at 30 June 2017, the Group completed the construction of a number of commercial real properties, including Nandu Yuan (南都苑), Nandu Plaza (南都廣場), Rongtong Commercial Centre (融通商務中心), Herun Building (和潤大廈), Longxi Building (隆禧大廈) and Hualong Square (華隆廣場).

The Group is the sole entity designated to undertake the development of affordable housing and the redevelopment of shanty areas in the urban area of Jiaxing City. The Group conducts affordable housing construction through Jiaxing Urban Construction Investment Co., Ltd. (嘉興城市建設投資有限公司) and Jiaxing City Urban Construction Real Property Development Co., Ltd. (嘉興市城建房地產開發有限公司), both of which are wholly-owned subsidiaries of the Issuer. With the approval from the Jiaxing Municipal Government, the Group may sell the completed but unsold affordable housing properties as commercial properties through Jiaxing Urban Construction Investment Co., Ltd. and Jiaxing City Urban Construction Real Property Development Co., Ltd. As at 30 June 2017, the Group completed the construction of its affordable housing properties projects. As at 30 June 2017, the Group had unsold affordable housing properties with a total gross floor area ("**GFA**") of 72,000 square metres. In April 2017, Jiaxing Municipal Government and the Group entered into an shanty development agreement, pursuant to which the estimated investment amount of the shanty development undertaken by the Group reached approximately RMB20.6 billion.

Business Model

The Group generally follows the following steps to develop its real properties:

- Land Acquisitions: The Group normally acquires the land use rights in the public bidding, auction and sale-by-listing process or through land allocation from the Jiaxing Municipal Government.

- Construction: The Group outsources all of its project construction work to independent third parties to construct real properties. Selection of the third-party contractors is customarily conducted through public tender and bidding process as required by national and local regulations. The Group considers bidders' track record performance, work quality, proposed delivery schedules and costs in its selection process and seek to maintain its construction costs at a reasonable level without sacrificing quality.

- Financing: The Group finances the development of its real property development projects primarily with internal cash flow and loans granted by PRC commercial banks.

- Sale: Due to the unique nature of affordable housing and specific standards of applicable PRC laws and regulations, affordable housing properties are sold only to qualified purchasers who are usually people with low to moderate incomes. With the approval from the Jiaxing Municipal Government, the Group may sell the completed but unsold affordable housing properties as commercial properties through Jiaxing Urban Construction Investment Co., Ltd. and Jiaxing City Urban Construction Real Property Development Co., Ltd.

Tourism

Overview

The Group is engaged in the tourism business mainly through Jiaxing Tourism Development Co., Ltd.（嘉興旅遊發展有限公司）and Jiaxing City Nanhu Tourism Attraction Development Co., Ltd.（嘉興市南湖名勝發展有限公司）, both of which are wholly-owned subsidiaries of the Issuer. Its tourism business primarily includes (i) operation of tourist attractions, (ii) the construction and operation of hotels and (iii) tourism property leasing and management. Located in the Yangtze River Delta, the Group plans to consolidate its current tourist resources to establish a leading position in the tourism sector in the Yangtze River Delta and focus on the development of "One Lake, Two Rivers and Three Street Districts"（一湖兩河三街區）, which refers to Nanhu Lake Tourist Attraction（南湖風景區）, Ring River Tourist Attraction（環城河風景區）, Yun River Tourist Attraction（古運河風景區）, Mei Bay Historical Street District（梅灣歷史街區）, Yue River Historical Street District（月河歷史街區）and Luweihui Historical Street District（蘆葦匯歷史街區）. The Group endeavours to develop patriotic tourism with the development of Nanhu Lake Tourist Attraction（南湖風景區）, a place of historical significance as it is where revolutions took place. The Group also endeavours to speed up the construction of tourist facilities by taking advantages of initiatives such as "Belt and Road（一帶一路）".

For the years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017, the revenue generated from the Group's tourism business was RMB227.2 million, RMB213.1 million, RMB79.3 million and RMB99.5 million, respectively, representing 11.2 per cent., 11.6 per cent., 11.8 per cent. and 7.5 per cent., respectively, of the Group's total revenue.

Operation of Tourist Attractions

The Group was authorised to develop, construct, operate and manage Nanhu Tourist Attraction（南湖風景區）, the sole national 5A-level revolution-era tourist site in Zhejinag Province, and some of the municipal tourism attractions.

The revenue of the Group's operation of tourist attractions is derived from the sale of admission tickets to the tourists. Pursuant to Approval to the Price of the Tickets to Nanhu and Mei Bay Tourist Attractions (Jiafagaiwu [2008] No.310)（關於對南湖、梅灣景區門票價格的批復(嘉發改物[2008]310號)）, the ticket price for the Nanhu Tourism Attraction is RMB60 per person and tourists would need to purchase specific tickets to visit certain historical attractions within the Nanhu Tourism Attractions, such as Yanyu Tower（煙雨樓）and Qianlong Stone Tablet（乾隆碑）in the Lake Centre Islands（湖心島）. The ticket price has remained unchanged since 2008.

For the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017, the volume of the tourists was approximately 790,000, 900,000, and 350,000, respectively. For the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017, the revenue generated from the Group's operation of tourist attractions was RMB69.8 million, RMB40.5 million and RMB15.6 million, respectively, representing 28.5 per cent., 19.0 per cent., and 15.7 per cent., respectively, of the total operation income of the Group's tourism business.

Construction and Operation of Hotels

The Group operates two hotels in Jiaxing City, Yuehe Hotel（月河客棧）and Salon International Hotel（沙龍國際賓館）, through Jiaxing City Yuehe Hotel Co., Ltd.（嘉興市月河客棧有限公司）and Jiaxing City Salon International Hotel Co., Ltd.（嘉興市沙龍國際賓館有限公司）, both of which are subsidiaries of the Issuer.

Yuehe Hotel is located in Nanhu District in Jiaxing City. As at 30 June 2017, the total GFA of Yuehe Hotel was approximately 30,000 square metres and the total number of guest rooms was 203. Salon International Hotel is located in Nanhu District in Jiaxing City. As at 30 June 2017, the total GFA of Salon International Hotel was approximately 35,000 square metres and the total number of guest rooms was 262.

For the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017, the revenue generated from the Group's operation of construction and operation of hotels was RMB66.8 million, RMB66.0 million and RMB39.6 million, respectively, representing 27.3 per cent., 31.0 per cent. and 40.0 per cent., respectively, of the total operation income of the Group's tourism business.

Tourism Property Leasing and Management

The Issuer is principally engaged in the tourism property leasing and management through Jiaxing Nanhu Scenic Spot Development Co., Ltd.（嘉興市南湖名勝發展有限公司）and Jiaxing Silver Land New Rural Development Investment Co., Ltd.Limited（嘉興銀泰梅灣新天地投資管理有限公司), which are wholly-owned subsidiaries of the Issuer. It involves leasing the shops located in the vicinity of Nanhu Tourist Attraction, Mei Bay Historical Street District, Yue River Historical Street District and Luweihui Historical Street District. As at 30 June 2017, the Group had leasable property with a total GFA of 202,200 square metres, of which 179,000 square metres was leased out, representing 88.5 per cent. of the total GFA of its leasable property.

The table below sets forth the particulars of the tourist property which were under management by the Group as at 30 June 2017:

Location of Shops	**Leasable GFA**	**Leased GFA**	**Occupancy Rate**[(1)]	**Revenue**[(2)]
	(square metres)	*(square metres)*	*(per cent.)*	*(RMB in million)*
Nanhu Tourist Attraction	19,597.04	17,178.30	87.7	3.0
Yue River Historical Street District	45,123.86	44,672.62	99.0	10.0
Mei Bay Historical Street District	81,480.73	69,614.49	85.4	19.0
Luweihui Historical Street District	7,652.11	7,652.11	100.0	0.5
Other districts	48,393.57	39,835.55	82.3	11.9
Total	202,247.31	178,953.07	88.5	44.4

Notes:

(1) calculated as leased GFA divided by leasable GFA

(2) for the six months ended 30 June 2017

For the years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017, the revenue generated from the Group's tourism property leasing and management was RMB108.4 million, RMB106.6 million, RMB46.9 million and RMB44.4 million, respectively, representing 44.3 per cent., 50.0 per cent., 42.7 per cent. and 44.6 per cent., respectively, of the total operation income of the Group's tourism business.

Engineering Settlement

Overview

The Group derived revenue from its engineering settlement business mainly through (i) landscaping and (ii) construction of government projects. For the years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017, the Group's revenue generated from engineering settlement was RMB15.4 million, RMB31.8 million, RMB9.0 million and RMB4.0 million, respectively, representing 0.8 per cent., 1.7per cent., 1.3 per cent. and 0.3 per cent., respectively, of the total revenue of the Group.

Landscaping

The Group engages in the provision of construction and landscaping services for the properties developed by the Group and other real property developers, as well as the cultivation of green seedlings. The Group conducts its landscaping business through Jiacheng Huanyi Property Operation and Management Co., Ltd.（嘉城環藝物業經營管理有限公司）, which is a subsidiary of the Issuer. The revenue of Jiacheng Huanyi Property Operation and Management Co., Ltd. is derived from the construction and landscaping fees paid by the real property developers pursuant to project construction agreements entered into between themselves.

Construction of Government Project

The Group is designated to undertake the construction of some municipal government projects on an agent construction model. The Group outsources its project construction work to independent third parties to construct government projects and monitors and supervises the progress of the construction. As at 30 June 2017, the government project under construction by the Group included Jiaxing City Citizen Service Centre（嘉興市市民服務中心）and Disabled Persons Rehabilitation Centre（殘疾人康復中心）.

Primary Land Development

Overview

The Group is commissioned by the Jiaxing Municipal Government to conduct the primary land development in the areas within the second ring road and some specified area with a total site area of approximately 27.5 million square metres in Jiaxing City. Primary land development conducted by the Group involves land clearance and construction of power networks, water, transportation, telecommunication, sewerage, gas and heat so that the land becomes ready for sale by the Jiaxing Land and Resources Bureau. The Jiaxing Land and Resources Bureau grants land use rights of the land developed by the Group through public tender-bidding, auction or listing to real estate developers for property development pursuant to applicable PRC law and regulations.

As at the date of this Offering Circular, the Group's primary land development business has not generated any revenue but has improved its cash flow. Upon completion of the development of a parcel of land, the Jiaxing Land and Resources Bureau then grants land use rights of the land developed by the Group through public tender-bidding, auction or listing to real property developers. The Group's fund from the primary land development is primarily derived from a portion of the land use right purchase price paid by real property developers to the Jiaxing Bureau of Finance, who will in turn pay to the Group after statutory deduction is made. From the accounting perspective, the Group recorded the investment and cost of primary land development as inventory on its balance sheet. Upon completion of the development of the primary land, the funds from the government, after deduction of statutory fees, will be used to settle the inventory on the Group's balance sheet.

With an established track record, the Group has demonstrated its strong execution capability to effectively develop the land into valuable sites to be ready for sale by the Jiaxing Land and Resources Bureau. Over the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017, the Group developed and sold the primary land with a total site area of approximately 273,800 square metres (equivalent to 410.7 mu). As at 30 June 2017, the Group had developed but undelivered the primary land with a total site area of approximately 987,000 square metres (equivalent to 1,480.5 mu).

Business Model

The Group's primary land development involves demolition of buildings, relocation and resettlement of residents, land clearance and construction of networks of electricity, water, transportation, telecommunication, sewerage, gas and heat facilities, thereby transforming the land into a condition ready for secondary real property development. The Group normally engages third-party construction companies to carry out the land development work through its standardised public tender process in accordance with applicable PRC laws and regulations. When selecting contractors, the Group considers a number of factors such as the reputation of the contractors, track records in similar projects, creditworthiness, technical capabilities, proposed construction blueprint and price.

The Group conducts primary land development under the agency construction model and purchase of service model.

Agency Construction Model

Under the agency construction model, the Group is engaged as the general contractor for the development of the land development project for an agreed funds payable according to the agreed payment schedule without obtaining the land use rights of the land that it develops. The Group normally funds its primary land development with its internal cash flow and loans granted by PRC commercial banks.

Purchase of Service Model

Under the purchase of service model, the Group conductus primary land development under the purchase of service model, whereby the government purchases services from the Group under a service purchase agreement. Under such agreement, the Group provides services in relation to the land development project. The Group normally funds its primary land development with government fund.

Project Descriptions

The following table sets forth the particulars of the Group's primary land development projects that had been completed by the Group and sold by the Jiaxing Land and Resources Bureau to the real property developers from 1 January 2015 to 30 June 2017:

Project name	Year of Completion	Average Price	Site Area[1]	Total Land Use Right Purchase Price[2]
		(RMB per square metre)	*(square metres)*	*(RMB in million)*
Tangqiao Road South, Fengqing Road West, Yundong Road East and Youquan Road North (塘橋路南、慶豐路西、雲東路東、由拳路北)	2014	3,772	82,000	309.3
Central North Road South (中環北路南地塊)	2016	6,803	36,427	247.8
Changqiantang South Land Lot (長纖塘南地塊)	2016	9,145	37,307	341.1
Lijiang Peninsula Land Lots South (麗江半島地塊南)	2016	13,307	47,807	636.2
Xiuzhou Road West and Ring River North (秀州路西、環城河北)	2016	6,033	35,020	211.3
Jiefang Road South and Xiuzhou Road East (解放路南、秀州路東)	2016	7,542	7,020	52.9
Xiuzhou Road East and Dongsheng Road South (秀州路東、東升路南)	2016	4,150	11,793	49.0
Yundong Apartment East Farms Land (雲東公寓東菜場用地)	2016	3,322	16,407	54.5
Total	–	–	273,780	1,902.1

Notes:

(1) Representing to the site area shown in the land use rights certificate.

(2) Representing to the purchase price shown in the land use rights agreements entered into between real property developers and the Jiaxing Land and Resources Bureau.

Construction of Municipal Infrastructure Projects

Overview

The Group is the leading enterprise engaged by the Jiaxing Municipal Government to undertake the municipal infrastructure projects including road construction and reformation, landscaping, piping network construction and other public facilities in Jiaxing City.

As at the date of this Offering Circular, the Group's municipal infrastructure construction business has not generated any revenue because the infrastructure projects are regarded as assets developed for public welfare, which the Group holds on behalf of the Jiaxing Municipal Government. From the accounting perspective, the Group recorded the investment and cost of municipal infrastructure construction as inventory on its balance sheet. Upon completion of the development of the infrastructure construction projects after deduction of statutory fees, the funds from the government will be used to settle the inventory on the Group's balance sheet.

Business model

The Group normally conducts the municipal infrastructure construction based on the executive decision or notice issued by the Jiaxing Municipal Government on an annual basis, which sets out the details about the municipal infrastructure such as the total investment amount and timetable.

The Group is responsible for the relocation and resettlement of residents in accordance with the PRC laws and regulations. It also engages third-party contractors, which are selected through public tender and bidding process to carry out the construction of municipal infrastructure projects. The Group shall pay the third-party contractors based on the progress of constructions.

The Group normally funds its municipal infrastructure construction business with its internal cash flow and the subsidies granted by Jiaxing Municipal Government on an annual basis. The Jiaxing Municipal Government may take into account the factors, such as the number of municipal infrastructure projects, the construction costs and investment amount when determining the amount of subsidies to the Group. For the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017, the government subsidies received by the Group in connection with the construction of municipal infrastructure projects were RMB401.7 million, RMB708.5 million and nil, respectively.

Project descriptions

The following table sets forth the particulars of the infrastructure construction projects that the Group had completed as at 30 June 2017:

Project	Year of Completion	Total Investment Amount Paid as at 30 June 2017	Total Buyback Amount	Buyback Amount Paid as at 30 June 2017
		(RMB in million)	*(RMB in million)*	*(RMB in million)*
Reconstruction of North Nanliu Lane (Fu Zhong Dai – Xiexi Street) (南柳弄北改造(府忠埭-斜西街))	2012	9.0	0.3	0.3
Civil Engineering Works of Jiefang Road (North Xiuzhou Road – Daxin Road) (解放路(秀州北路-大新路)工程	2012	7.7	7.1	7.1
Oushang Road (Zhou Shui Jing Gang — Shuangxi Bridge) (歐尚路(周水涇港-雙溪橋))	2012	13.0	2.5	2.5
Pumin Road (Youquan Road — Xingqiao Road) (普民路(由拳路-興橋路))	2012	9.2	7.8	7.8
Ancillary Park of District Grade Located to the East of Hubin Phase II Resettlement Housing (湖濱二期安置房東側配套區級公園	2012	12.3	2.6	2.6
Wenxian Road (Shuangxi Road — Qingfeng Road) (文賢路(雙溪路-慶豐路))	2012	11.4	1.0	1.0
Xuwang Road (East Dongsheng Road — North Zhonghuan Road) (徐王路(東升東路-中環北路))	2012	13.5	12.5	12.5
Lingtang Road (Dongsheng Road — Xuwang Road) (淩塘路(東升路-徐王路))	2012	13.6	8.3	8.3
Construction Works of Yuan Jia Hui Road (Dongfang Road — Road under Planning) (袁家匯路(東方路-規劃道路)建設工程	2013	12.9	0.2	0.2
Tangqiao Road (Yundong Road — Nanjiang Road) (塘橋路(雲東路-南江路))	2014	17.3	17.3	17.3
Civil Engineering Works of Shuangxi Road (Guangyi Road — Changshui Road) (雙溪路(廣益路-長水路)工程	2014	20.1	11.7	11.7
Jiacheng Green Road Network Construction Works Phase I (嘉興城投生態綠道網建設一期工程	2013	14.0	15.0	15.0
Comprehensive Road Clean-up of Yuexiu Road (Dongsheng Ro ad — South Zhonghuan Road) (越秀路(東升路-中環南路)道路綜合整治	2014	16.5	8.4	8.4
Improvement Works of Taining Road (North Zhonghuan Road — Changshui Road) (泰甯路(中環南路-長水路)完善工程	2014	32.5	1.1	1.1
Wenxian Road (Qingfeng Road — Nanjiang Road) (文賢路(慶豐路-南江路))	2014	9.1	5.0	5.0
Civil Engineering Works of Yundong Road (Wenxian Road — Changshui Road) (雲東路(文賢路-長水路)工程	2014	7.7	6.6	6.6

Project	Year of Completion	Total Investment Amount Paid as at 30 June 2017	Total Buyback Amount	Buyback Amount Paid as at 30 June 2017
		(RMB in million)	*(RMB in million)*	*(RMB in million)*
Comprehensive Clean-up Project of Zhongshan Road (South Zhonghuan Road – Xiuzhou Road) (中山路(中環西路-秀州路)綜合整治工程)	2015	59.4	30.4	30.4
Reconstruction Works of South Zhonghuan Road (West Zhonghuan Road – Xin Qi Xiang Road) for Bus Lane and Road Merge (中環南路(中環西路-新氣象路)公交專用 道和開口歸併改造)	2015	13.4	5.2	5.2
Construction Works of Heping Street (North Erhuan Road – Chengbei Road) (禾平街(二環北路-城北路)建設工程)	2015	18.3	0.0	0.0
Qingfeng Road (Guangyi Road – Changshui Road) (慶豐路(廣益路-長水路)工程)	2016	89.2	74.7	74.7
Wenxian Road (Taining Road – Qingfeng Road) (文賢路(泰甯路-慶豐路)工程)	2016	66.1	29.9	29.9
Traffic Improvement Project of San Shui Wan District (三水灣區域交通綜合整治工程)	2016	35.0	7.6	7.6
Reconstruction Works of East Zhongshan Road (中山東路橋改造工程)	2016	102.1	31.0	31.0
Repair and Reinforcement Works of Shi Ba Li Bridge on Guangyi Road (廣益路十八裡大橋維修加固工程項目)	2016	11.6	3.1	3.1
Comprehensive Clean-up Project of South Zhonghuan Road and Guangyi Road in Jiaxing City (嘉興市中環南路、廣益路綜合整治工程項目)	2016	200.0	1.9	1.9
Reservation and Maintenance Works of Wenxing Bridge and Cangsheng Temple – Historical and Cultural Sites Protected at the Municipal Level in Jiaxing City (嘉興市級文保單位文星橋、倉聖祠保護修繕工程)	2016	3.1	0.1	0.1
Reconstruction Works of Zhou'an Road (周安路改造工程)	2016	7.9	0.0	0.0
Construction Works of Wuqiao Road (Taining Road– Pumin Road) (烏橋路(泰甯路-普民路)道路工程項目)	2016	3.8	0.1	0.1
Reconstruction and Improvement Works of the Area Surrounding Huijing Park in Nanhu Tourist Resort of Jiaxing City (嘉興市南湖旅遊區會景園區域改造提升工程(一期)項目)	2016	13.0	0.1	0.1
Reconstruction and Improvement Works of Xiao Ying Zhou Area in Nanhu Tourist Resort of Jiaxing City (嘉興市南湖旅遊區小瀛洲區域改造提升工程項目)	2016	10.0	0.3	0.3
Reconstruction and Improvement Works of the Area Surrounding Huijing Park in Nanhu Tourist Resort of Jiaxing City (Phase II) (嘉興市南湖旅遊區會景園區域改造提升工程(二期))	2016	10.0	0.2	0.2
Sponge City Construction Works of Shalong Hotel in Jiaxing City (嘉興市沙龍賓館海綿城市建設工程)	2016	8.0	0.5	0.5
Reconstruction and Improvement Works of the Area Surrounding the mid-lake island in Nanhu Tourist Resort of Jiaxing City (嘉興市南湖旅遊區湖心島區域改造提升工程)	2016	4.0	0.0	0.0
Reconstruction and Improvement Works of the Area Surrounding Nanhu Revolutionary Memorial Museum (New Museum) in Nanhu Tourist Resort of Jiaxing City (嘉興市南湖旅遊區南湖革命紀念館新館區域改造提升工程)	2016	42.0	0.1	0.1
Sponge City Reconstruction Works of Nanhu Business Centre of Jiaxing City (嘉興市南湖商務中心海綿城市改造工程)	2016	5.0	0.1	0.1
Outstanding and fragmental Works of Public Infrastructure Construction (歷史市政掃尾工程及零星市政工程)	2016	1,254.4	376.3	376.3
Total	–	2,176.1	664.8	664.8

The following table sets forth the particulars of the Group's infrastructure construction projects under construction or in the pipelines as at 30 June 2017:

Project	Expected Year of Completion	Estimated Total Investment Amount	Estimated Investment Amount: For the six months ended 31 December 2017	Estimated Investment Amount: For the year ended 31 December 2018	Estimated Investment Amount: For the year ended 31 December 2019
		(RMB in million)	*(RMB in million)*	*(RMB in million)*	*(RMB in million)*
Organic Renewal Works of Dongta Road and the Area to the East of Dongta Road (東塔路及其東側區域有機更新項目)	–	1,445.0	850.0	400.0	195.0
Cross Chang Yang Tang Bridge and its Accommodation Ramp Construction Works (跨長鹽塘橋及其引坡工程項目)	2018	27.1	16.0	9.0	2.1
Ecologic Treatment and Sponge City Construction Works of Hangzhou Pool in Jiaxing City (嘉興市杭州塘生態治理海綿城市建設工程)	2017	9.4	9.4	–	–
Improvement and Reconstruction Works of Lakeside Park Located in Lakeside Area in Nanhu Tourist Resort of Jiaxing City (嘉興市南湖旅遊區湖濱區域湖濱公園提升改造項目)	2020	1,000.0	200.0	400.0	400.0
Overhaul and Reconstruction Works of Youquan Road (Nanjiang Road – East Sanhuan Road) (由拳路(南江路-三環東路)大修改造工程)	2017	14.4	14.4	–	–
Overhaul and Reconstruction Works of Nanjing Road (Changshui Road – Guangyi Road) (南江路(長水路-廣益路)大修改造工程)	2018	17.2	17.2	–	–
Civil Engineering Works of Wenxian Road (Qingfeng Road – Nanjiang Road) (文賢路(慶豐路-南江路)工程項目)	2018	22.8	22.8	–	–
Chengdong Road – Yuhua Road Intersection Reconstruction Works (城東路-華玉路交叉口改造工程)	2018	24.0	24.0	–	–
Second Endeavour to Build Nanhu Tourist Resort into a 5A Scenic Spot (南湖旅遊區二次5A創建項目)	2017	24.9	24.9	–	–
Greenland Project of Chengbei Road-North Zhonghuan Road Intersection (城北路中環北路口街心綠地項目)	2017	5.0	5.0	–	–
Construction Project of 4 Pieces of Greenland in the Site Area of 2.5 Square Kilometres (2.5平方公里區域4塊綠地公園項目)	2017	11.9	11.9	–	–
Total	–	2,601.6	1,195.5	809.0	597.1

Others

The Group's other businesses primarily include sale and transportation of commodities and other miscellaneous business. For the years ended 31 December 2015 and 2016 and six months ended 30 June 2016 and 2017, the revenue generated from the Group's other businesses was RMB77.6 million, RMB74.1 million, RMB22.9 million and RMB31.5 million, respectively, representing 3.9 per cent., 4.0 per cent., 3.4 per cent. and 2.4 per cent., respectively, of the Group's total revenue.

Sale and Transportation of Commodities

The Group conducts the sale and transportation of commodities primarily through Jiaxing City Jia'an Gas Technology Service Co., Ltd. (嘉興市佳安燃氣技術服務有限公司) and Jiaxing City Jie'an Transportation Co., Ltd. (嘉興市捷安運輸有限公司), both of which are subsidiaries of the Issuer. The Group engages in the sale and transportation of natural gas/CNG and chemicals such as propane, butane to end customers.

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 environmental proceedings or investigations to which it is or might become a party.

INSURANCE

The Group is required to obtain contractors all-risk and third-party liability insurance for most of the projects it undertakes. Such policies generally extend for the entire contract period, including the maintenance period following completion of the project. In addition, with regard to its construction business, the Group generally purchases insurance for its fixed assets, such as its key equipment, stock and office buildings. The Group also purchases pension insurance, unemployment insurance and medical insurance for its employees according to the relevant PRC laws and regulations. The Group maintains insurance coverage in amounts that it believes are commensurate with its risk of loss and industry practice. Consistent with what the Group believes to be customary practice in the PRC, it does not carry any business interruption insurance, key-man insurance 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 30 June 2017, the Group had 766 employees.

In accordance with the applicable regulations of local governments in regions where the Group has business operations, the Group makes contributions to the pension contribution plan, medical insurance, unemployment insurance, maternity insurance and personal injury insurance. The amount of contributions is based on the specified percentages of employees' aggregate salaries as required by relevant PRC authorities. 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 and supplemental commercial insurance policies 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

The Group is from time to time involved in disputes and legal proceedings arising in the ordinary course of its business. See "*Risk Factors – Risks Relating to the Group's Business – The Group is exposed to litigation risks*". To the best of its knowledge, there are no current litigation or arbitration proceedings against the Group or any of its directors as at the date of this Offering Circular that could have a material adverse effect on its financial condition or results of operations.

Directors

The board of directors of the Issuer currently consists of five members. The employee representative director is elected through employee representative meetings. The chairman and the deputy chairman of the board of directors are appointed by the Jiaxing Municipal Government. Other directors are appointed by the Jiaxing SASAC. The term of service of the directors is three years, renewable upon re-election and re-appointment. The chairman and vice chairman of the board of directors are elected by the board. The primary duties of the board of directors include, but are not limited to, the following: (1) execute the decisions of the shareholder; (2) determining the operating plans and investment proposals; (3) making the annual financial budget plans and major financing and restructuring plans; (4) making profit allocation plans and deficit offset plans; (5) making plans for increasing or decreasing registered capital and bond issuance; (6) making plans for mergers, changing company forms or dissolutions; (7) deciding the setting of internal management; (8) appointing general manager and other senior management of the Issuer; and (9) creating the basic management system.

The table below sets forth the information regarding the Issuer's board of directors as at the date of this Offering Circular.

Name	Age	Position
Chen Shihong（陳士洪）................................	54	Chairman of the board of directors and secretary to the party committee
Chen Baoliang（陳保良）...............................	53	Director and general manager
Shen Hongliang（沈洪亮）.............................	54	Director and deputy general manager
Jiang Mingen（姜銘恩）.................................	50	Director and deputy general manager
Yu Jianming（郁建明）...................................	47	Employee representative director

Mr. Chen Shihong（陳士洪）, aged 54, has been the chairman of the board of directors and the secretary to the party committee of the Issuer since November 2009. He currently also serves as the chairman of the board of directors of Jiaxing Cultural Mingcheng Investment Group Co., Ltd.（嘉興市文化名城投資集團公司）. Mr. Chen previously served as a teaching assistant of the department of electrical engineering and a student of the platoon leaders class of a local university of Air Force Radar Academy（空軍雷達學院）, deputy rank leader of regiment one（一團副連職排長）and deputy rank leader of regiment 35（三十五團副連長）of the Air Force Radar Army（空軍雷達兵）, the supervisor of talent exchange centre, the section chief of the human resources section and a member of the party committee of the Labour and Human Resources Bureau of Xiucheng District of Jiaxing in Zhejiang Province, a vice secretary, a deputy supervisor, the secretary and the supervisor of the party committee of Xinjia Street of Xiucheng District of Jiaxing in Zhejiang Province, a deputy district chief of Xiucheng District of Jiaxing in Zhejiang Province, a deputy supervisor, a committee member of the party working committee and a deputy supervisor of Jiaxing export and processing zone of Jiaxing Port Zone Development and Construction Management Committee（嘉興港區開發建設管委會）and the general manager and a vice secretary to the party committee of the Issuer.

Mr. Chen Baoliang（陳保良）, aged 53, has been a director and the general manager of the Issuer since December 2007. He currently also serves as a committee member of the party committee of the Issuer. Mr. Chen previously served as an officer of the cultural and arts section and the director of the heritage management division of Jiaxing Cultural Bureau（嘉興市文化局）, an assistant to the curator and a deputy curator of Jiaxing Nanhu Revolution Memorial Museum（嘉興市南湖革命紀念館）, a deputy director and a committee member of the party committee of Jiaxing Cultural Bureau (Sports Bureau), a deputy supervisor and a member of the party group of Nanhu

Scenic Area Management Committee（南湖風景名勝區管委會）, a deputy director and a committee member of the party committee of Jiaxing Cultural Radio & TV News Publication Bureau（嘉興市文化廣電新聞出版局）.

Mr. Shen Hongliang（沈洪亮）, aged 54, has been a director and the deputy general manager of the Issuer since September 2013. He currently also serves as a committee member of the party committee of the Issuer. Mr. Shen previously served as a technician and the leader of the monitoring team of Zhejiang Yuhuan Meteorological Observatory Station (Bureau)（浙江玉環縣氣象站(局)）, a deputy leader of the monitoring team of Dachen Meteorological Observatory Station of Zhejiang Jiaojiang Meteorological Observatory（浙江椒江氣象臺大陳氣象站）, a business manager of Zhejiang Taizhou District Meteorological Observatory（浙江台州地區氣象局）and Zhejiang Jiaxing Meteorological Observatory（浙江嘉興市氣象局）, respectively, a deputy supervisor of the management committee office, the supervisor of the party administrative office, a committee member of the party working committee and the supervisor of Jiaxing Economic Development Zone（嘉興經濟開發區）, a deputy general manager and a committee member of the party committee of Jiaxing Xiangjiadang Development Investment Group Co., Ltd.（嘉興市湘家蕩發展投資集團有限公司）, a committee member of the party working committee and the secretary to the discipline working committee of joint development and construction of Jiaxing Xiajiadang area.

Mr. Jiang Mingen（姜銘恩）, aged 50, has been a director and a deputy general manager of the Issuer since June 2011. He currently also serves as a committee member of the party committee and the chief accountant of the Issuer and the chief accountant of Jiaxing Cultural Mingcheng Investment Group Co., Ltd.（嘉興市文化名城投資集團公司）. Mr. Jiang previously served as a deputy director and the director of the trade and commerce audit division and the fixed assets investment division of Jiaxing Audit Bureau（嘉興市審計局）, respectively.

Mr. Yu Jianming（郁建明）, aged 47, has been a director of the Issuer since October 2010. He currently also serves as the office supervisor and the secretary to the sub-branch of party institution committee（機關黨支部）of the Issuer. Mr. Yu previously served as the office supervisor and a deputy general manager of Jiaxing Taiyangcheng Real Estate Development Co., Ltd.（嘉興市太陽城房地產開發有限公司）.

Supervisors

The board of supervisors currently consists of three supervisors. The supervisors are appointed by the shareholders while employee representative supervisors are elected through employee representative meetings. The term of service of the supervisors is three years, renewable upon re-election and re-appointment. The primary duties of the board of supervisors include, but are not limited to, the following: (1) examining the financial situation of the Issuer; (2) monitoring the performance of the directors and senior management of the Issuer and making discharge proposals when any director or senior management violates the law, regulations, articles of association of the Issuer or shareholder's resolutions; (3) requesting corrections when directors or senior management damage the interest of the Issuer; (4) advising the shareholder; and (5) filing litigations against directors and senior management according to relevant company law.

The table below sets forth the information regarding the Issuer's board of supervisors as at the date of this Offering Circular.

Name	Age	Position
Zhang Zhengming（張正明）	55	Chairman of the board of supervisors and secretary to the disciplinary committee and deputy general manager
Xu Jie（徐潔）	49	Supervisor
Zhou Fuming（周福明）	64	Supervisor

Mr. Zhang Zhengming（張正明）, aged 55, has been the chairman of the board of supervisors of the Issuer since November 2009. He currently also serves as a vice secretary and the secretary to the disciplinary committee of the Issuer. Mr. Zhang previously served as an officer of the student section, a vice secretary and the secretary to the Youth League Committee and a committee member of the party committee of Zhejiang School of Accounting（浙江會計學校）, a deputy director of organising department division one, the director of the education division, the director of officers division two and a deputy supervisor of the human resources office of Jiaxing Municipal Committee（嘉興市委）.

Mr. Xu Jie（徐潔）, aged 49, has been a supervisor of the Issuer since July 2008. He currently also serves as the supervisor of the discipline and inspection supervisor office and the manager of the human resources department of the Issuer. Mr. Xu previously served as a statistician of the sales section and a deputy supervisor of the enterprise management office of Jiaxing Rubber Factory（嘉興市橡膠廠）, a statistician of the engineering department of Jiaxing Urban District Old Town Reconstruction Headquarter（嘉興市市區舊城改造指揮部）, the secretary of a sub-branch of the party committee of Jiaxing Shalong International Hotel Co, Ltd.（嘉興市沙龍國際賓館有限公司）, the manager of the human resources department and a deputy supervisor of the party committee office of Jiaxing Cultural Mingcheng Investment Group Co., Ltd.（嘉興市文化名城投資集團公司）and a statistician of the engineering department and a deputy supervisor of the party committee office of the Issuer.

Mr. Zhou Fuming（周福明）, aged 64, has been a supervisor of the Issuer since June 2015. He currently also serves as the general manager of Jiaxing Natural Gas Pipe and Mesh Construction Management Co., Ltd.（嘉興市天然氣管網經營有限公司）. Mr. Zhou previously served as the section chief of the engineering section of Jiaxing City Development Office（嘉興市城市開發辦公室）, a deputy director of the demolition division of Jiaxing Old Town Reconstruction Headquarter（嘉興市舊城改造指揮部）, an assistant to the general manager of Jiacheng Real Estate Co., Ltd.（嘉興市城建房地產開發有限公司）and the general manager of Jiaxing Nanhu Property Management Co., Ltd.（嘉興市南湖物業管理有限公司）and a deputy manager of the development department of the Issuer.

Senior Management

The table below sets forth the information regarding the Issuer's senior management as at the date of this Offering Circular.

Name	Age	Position
Chen Shihong（陳士洪）................................	54	Chairman of the board of directors and secretary to the party committee
Chen Baoliang（陳保良）................................	53	Director and general manager
Zhang Zhengming（張正明）........................	55	Chairman of the board of supervisors, deputy general manager and secretary to the disciplinary committee
Shen Hongliang（沈洪亮）..............................	54	Director and deputy general manager
Jiang Mingen（姜銘恩）.................................	50	Director and deputy general manager
Zhu Jianhua（朱建華）...................................	38	Deputy general manager
Wu Hongxing（吳虹興）................................	41	Chief engineer
Xie Xiaomin（謝曉民）..................................	44	General manager

Mr. Chen Shihong（陳士洪）, aged 54, has been the chairman of the board of directors and the secretary to the party committee of the Issuer since November 2009. For Mr. Chen's biology, see "*Directors*" above.

Mr. Chen Baoliang（陳保良）, aged 53, has been a director and the general manager of the Issuer since December 2007. For Mr. Chen's biology, see "*Directors*" above.

Mr. Zhang Zhengming（張正明）, aged 55, has been the chairman of the board of supervisors, deputy general manager and the secretary to the disciplinary committee of the Issuer since November 2009. For Mr. Zhang's biology, see "*Supervisors*" above.

Mr. Shen Hongliang（沈洪亮）, aged 54, has been a director and a deputy general manager of the Issuer since September 2013. For Mr. Shen's biology, see "*Directors*" above.

Mr. Jiang Mingen（姜銘恩）, aged 50, has been a director and a deputy general manager of the Issuer since June 2011. For Mr. Jiang's biology, see "*Directors*" above.

Mr. Zhu Jianhua（朱建華）, aged 38, has been a deputy general manager of the Issuer since December 2013. Mr. Zhu previously served as the office supervisor and a committee member of the party committee of Jiaxing Xiangjiadang Development Investment Group Co., Ltd.（嘉興市湘家蕩發展投資集團有限公司）and the deputy supervisor of Jiaxing Xiangjiadang District Development and Construction Management Committee（嘉興市湘家蕩區域開發建設管委會）and the office director of the Issuer.

Mr. Wu Hongxing（吳虹興）, aged 41, has been the chief engineer of the Issuer since September 2012. Mr. Wu previously served as a deputy director of the engineering management division, the head of suburban watercourses management station and a deputy director of the watercourses management division of Jiaxing Water Bureau（嘉興市水利局）and the general manager of Jiaxing Xingyu Water Engineering Construction Co., Ltd.（嘉興市興禹水利工程建設有限公司）.

Mr. Xie Xiaomin（謝曉民）, aged 44, has been the general manager and the supervisor of the premises expropriation centre of Jiaxing Premises Demolition Co., Ltd.（嘉興市房屋拆遷公司）since December 2013. He previously served as a deputy general manager of Jiaxing Premises Demolition Co., Ltd.

CORPORATE GOVERNANCE

The Issuer has established and implemented an effective governance structure. It has set up seven functional offices and departments at the group level to implement its corporate governance, namely, the General Office, Discipline and Inspection Supervision Office, Human Resources Department, Quality and Safety Department, Finance Department, General Strategy Office and Investment and Development Department. The primary duties of the seven offices and departments are set forth as follows:

- General Office is the integrated administrative management office of the Issuer, primarily responsible for (1) communicating and coordinating corresponding work matters, (2) monitoring and supervising the implementation of instructions from higher levels and the decision-making during meetings, (3) drafting, reviewing important documents and managing daily incoming and outgoing published documents and correspondence letters, (4) organising integrated club activities and undertaking reception and communication work, (5) managing integrated documentation, (6) promoting ideas and formulating corporate image plans, (7) ensuring safekeeping of the Issuer's office equipment such as vehicles and computers and carrying out equipment management and daily administrative backup work and (8) other work assigned by the Group.

- Discipline and Inspection Supervision Office is primarily responsible for: (1) drafting and revising discipline and inspection related rules and policies, planning, collecting statistics, analysing and summarising discipline and inspection related matters, (2) organising and carrying out efficient monitoring work, implementing and assessing the accountability system within the Group, (3) supervising the tender projects of the Group companies, (4) carrying out internal audit of the Group companies, (5) investigating and verifying non-compliance incidents of the staff, (6) handling opening and closing procedures and document filing and archiving for investigation matters; (7) undertaking the drafting and amendment of the complaint reporting system, (8) undertaking various proposals and suggestions of the Standing Committee of National People's Congress ("**NPC**") and CPPCC, (9) managing incoming letters, visits, phone calls and reception work and (10) other work assigned by the Group.

- Human Resources Department is primarily responsible for (1) carrying out daily labour salary management and social protection work, (2) undertaking reform of work allocation policies, (3) organising staff recruitment and internal transfers, (4) organising staff performance assessment, inspection and training, (5) defining positions of various professional and technical staff and related management work, (6) managing the human resources document archive and retirees' departure, (7) establishing the corporate culture and (8) other work assigned by the Group.

- Quality and Safety Department is primarily responsible for (1) formulating and implementing project quality and safety monitoring management plans, (2) undertaking actual monitoring and inspection of the quality and safety of projects under construction, (3) examining onsite management of project owners, managing daily record of onsite supervision and construction units, work plans, regular meetings minutes and the implementation of quality and safety measures in the construction sites, (4) organising investigation and resolution of quality and safety accidents, (5) participating in the management and coordination work of inspection of single completed projects, (6) cooperating with the General Strategy Office in completing integrated project acceptance filing work, (7) coordinating internal and external relationship to facilitate safe production of the Group companies and (8) other work assigned by the Group.

- Finance Department is primarily responsible for: (1) undertaking daily financial management and accounting work, (2) overseeing the raising of construction projects funds, (3) handling the auditing, payment and balancing of the project funds, (4) registering the fixed assets after projects are finished and examined, (5) undertaking the return of the cost of land acquisition and the land transfer income and (6) other work assigned by the Group.

- General Strategy Office is the project planning and management, tender management and land management integrated department of the Issuer, primarily responsible for (1) compiling the development plan and annual investment plan of the Group, (2) undertaking economic feasibility study and research on project planning and implementation steps to assist the decision-making of the Group, (3) undertaking the delegation of project survey and design, (4) managing the choice of project location, designing plans, application for construction projects approvals, (5) preparing project proposals, feasibility study, initial design and construction plan and reporting, (6) cooperating with Investment and Development Department to prepare plans for applying for land rights and to assist it with various matters during project approving process such as project management, planning permission and land pre-examination, (7) managing tender process for project construction, procurement of materials and property demolition, (8) comprehensive coordination for internal and external matters regarding construction projects, (9) registering and auditing contracts, (10) handling budget management, (11) overseeing the allocation of demolition resettlement housing, (12) handling acceptance inspection and valuation of construction projects, property rights registration and fixed asset transfer and (13) other work assigned by the Group.

- Investment and Development Department is the land development management department of the Issuer, primarily responsible for (1) handling the land expropriation, pre-examination, land fee repayment and land transfer procedures, (2) cooperating with the Finance Department to handle financial payback for the cost of regional land acquisition and the land transfer income, (3) handling the pipeline relocation for transferred land, (4) managing expropriated land under development, (5) summarising the status of demolition and expropriation of rural lands under development and (6) other work assigned by the Group.

In addition, the Issuer established several effective internal control measures, including (1) financial management system, which aims to promote uniform financial expenditure management, cash management, fixed and current assets management, cost and expenses control management and accounts control procedures within the Issuer and related companies; (2) external guarantees management system, which aims to strengthen control of the granting of external guarantees through prohibiting subsidiaries from providing guarantees to each other or third parties and that applications for guarantee are first to be assessed collectively by the management, submitted to the board of directors for discussion and approval and further submitted to the prefectural level SASAC for authorisation before implementation of the guarantee; (3) investment and financing management system, which aims to regulate the investment and financing activities of the Issuer through central operation by the capital and assets management section of the Issuer's finance management centre; (4) budget management system, which aims to regulate the various aspects of the Issuer's budget management including budget content and organisation, formulation, approval, execution, control, adjustment, assessment and supervision of the entire budgeting process; (5) internal audit management system, which aims to monitor and valuate the financial expenditure, budget, accounts closing, asset quality and operational performances of the Issuer and its wholly-owned and holding companies, as well as the authenticity, legality and efficiency of their construction projects and corresponding economic activities; and (6) external investment management system, which aims to regulate the decision-making, execution, disposal, supervision and monitoring of external investments of the Issuer.

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 by the Issuer. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations.

MAIN REGULATORY AUTHORITIES AND CONTENTS OF SUPERVISION

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

- Ministry of Housing and Urban-Rural Development of the PRC (the "**MOHURD**") (formerly Ministry of Construction of the PRC, the "**MOC**") and the competent local departments of MOHURD at various levels are responsible for the comprehensive supervision over the construction industry as well as the real estate development qualifications. Such management mainly includes: management on the competency and qualification of market players, approval and verification of the qualifications of various construction enterprises for access to market, examination and approval of occupational qualifications of individuals in the construction industry, supervision over and management on construction projects, and establishment of industrial standards.

- Ministry of Transport of the PRC (the "**MOT**") and the competent local departments of MOT at various levels are responsible for the construction projects of ports and highways nationwide.

- NDRC and the local development and reform commissions at various levels are responsible for the investment planning, examination and approval of city infrastructure construction projects.

- Ministry of Environmental Protection of the PRC (former State Environmental Protection Administration, the "**SEPA**") and the competent local departments of environmental protection at various levels are responsible for the environmental protection management of construction projects.

MAJOR LAWS AND REGULATIONS

Regulation on Fiscal Debts of Local Governments

In accordance with Guidance on Further Strengthening Adjustment of Credit Structure to Promote Fast and Smooth Development of National Economy（中國人民銀行、中國銀行業監督管理委員會關於進一步加強信貸結構調整促進國民經濟平穩較快發展的指導意見）issued jointly by the 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 Budge Law**"), local governments shall not issue bonds directly. On 31 August 2014, National People's Congress adopted the newly amended Budget Law of the PRC (the "**New Budget Law**''), which became effective on 1 January 2015. 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 (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臺公司在建專案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 Natural Gas Industry

Concession in Municipal Public Utilities Projects

The Opinion on Accelerating the Marketisation of Municipal Public Utilities Industry (關於加快市政公用行業市場化進程的意見) promulgated and implemented by the MOHURD on 27 December 2002, the Measures for the Administration on the Concession of Municipal Public Utilities (市政公

用事業特許經營管理辦法）promulgated by the MOHURD on 19 March 2004 and implemented on 1 May 2004 and revised on 4 May 2015, and the Opinion on Strengthening the Supervision of Municipal Public Utilities（關於加強市政公用事業監管的意見）promulgated and implemented by the MOHURD on 10 September 2005 (collectively referred to as the "**Tender Measures**") govern the regulations of the grant of concession rights for municipal public utilities projects, including fuel Gas supply projects. Under these regulations, government authorities should select investors for or operators of municipal public utilities projects through a public bidding process and enter into concession agreements with them to grant concession rights. The Tender Measures further require concession agreements to be entered into for all municipal public utilities projects prior to the commencement of a concession period. However, in the event that a concession project fails to comply with such requirement before commencement, the parties may rectify the non-compliance under the Tender Measures by entering into written concession agreements in a timely manner.

According to the Measures for the Administration on the Concession of Infrastructure and Public Utilities（基礎設施和公用事業特許經營管理辦法）, which was jointly promulgated by the MOF, the MOHURD, the Ministry of Transport, the Ministry of Water Resources, the NDRC and the PBOC on 25 April 2015 and implemented on 1 June 2015, the concession agreement shall be executed for the concession. Implementing institutions shall, according to the approved implementation plans of concession projects, select concessionaires through competitive modes including bidding and competitive negotiation. Where concession projects have specific construction and operation standards and supervision requirements, and the market competition in the relevant sector is adequate, concessionaires shall be chosen through bidding.

The Regulations for Gas

Pursuant to the Regulations for the Administration of Fuel Gas in Towns and Cities(城鎮燃氣管理條例)(the "**Regulations for Gas**"), which was promulgated by the State Council on 19 November 2010 and became effective on 1 March 2011 and which was further revised on 6 February 2016, one of the major aims of the Regulations for Gas is to ensure the supply of fuel gas and protect the legal interest of fuel gas operators and fuel gas users. Apart from the Regulations for Gas, the NDRC issued the Policies on the Utilisation of Natural Gas(天然氣利用政策)on 14 October 2012 which became effective on 1 December 2012. The Policies on the Utilisation of Natural Gas categorised natural gas consumers as priority category, permission category, restriction category and prohibition category, taking into consideration the comprehensive factors as social benefits, environmental benefits and economic benefits, and the features of different consumers in respect of utilising natural gas.

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, Regulation on the Implementation of the Bidding and Tendering Law of the People's Republic of China（中華人民共和國招標投標法實施條例）promulgated by State Council on 20 December 2011 which became effective on 1 February 2012 and was amended on 1 March 2017, Measures for the Construction Bidding and Tendering of Construction Projects（工程建設項目施工招標投標辦法)jointly promulgated by NDRC, MOC, MOR, MOT, Ministry of Information Industry of the People's Republic of China, Ministry of Water Resources of the People's Republic of China, and Civil Aviation Administration of China in 8 March 2003 which became effective on 1 May 2003 and was amended in 2013, Administrative Measures for the Bidding and Tendering of Design of Construction Projects（建設工程設計招標投標管理辦法issued by MOC on 24 January 2017 and became effective on 1 May 2017, Provisions on the Tendering Scope and Scale Standards of Construction Projects（工程建筑項目招標範圍和規模標準規定）issued by NDRC on 1 May 2000 and became effective on the same date, 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 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 tenderee shall issue the notification to the successful bidder. The notification is legally binding on both the tenderee and the bid winner.

In accordance with the Bidding and Tendering Law of the People's Republic of China and Measures for the Construction Bidding and Tendering of Construction Projects, if any project that shall undergo bidding as required by law fails to go through the bidding process, or the items subject to bidding are broken up into pieces or the bidding requirement is otherwise evaded, the relevant administrative supervision department shall order rectification within a specified period, and may impose a fine of 0.5 per cent. up to 1 per cent. of the contract amount of the project. For projects using the state-owned funds in whole or in part, the project approval authority may suspend the implementation of the project or suspend the fund appropriation, and impose punishment on the person direct in charge of the entity or other person directly liable. Further, in accordance with the provisions of the Interpretations of the Supreme People's Court on Issues of Law Application during the Trial of Construction Contracts for Building Projects（最高人民法院關於審理建設工程施工合同糾紛案件適用法律問題的解釋）issued by the Supreme People's Court on 25 October 2004 and became effective on 1 January 2005, if any project that is required to undergo a bidding process fails to go through the bidding process or the bid award is invalid, the construction contract for building projects shall become invalid.

Quality Management

Laws and regulations on project quality mainly include Construction Law of the People's Republic of China, Regulation on Quality Management of Construction Projects（建設工程質量管理條例）issued by the State Council on 30 January 2000 and became effective on the same date and was amended on 7 October 2017, Administrative Measures for Quality Management of Construction Project Survey（建設工程勘察質量管理辦法）amended by MOC on 22 November 2007 and became effective on the same date, Administrative Measures for Completion Acceptance Record of Building Construction and Municipal Infrastructure Projects（房屋建築和市政基礎設施工程竣工驗收備案管理辦法）issued by MOHURD on 19 October 2009 and became effective on the same date, Measures for Quality Warranty of Building Construction Projects（房屋建築工程質量保修辦法）issued by MOC on 30 June 2000 and became effective on the same date, Measures for Completion Acceptance of Port Works（港口工程竣工驗收辦法）promulgated by MOT on 12 April 2005 which became effective on 1 June 2005 and amended respectively on 5 September 2014 and 19 April

2016 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 on 2 July 2016, 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, and Administrative Measures for Environmental Protection Acceptance of Construction Projects upon Completion（建設項目竣工環境保護驗收管理辦法）promulgated by SEPA on 27 December 2001 which became effective on 1 February 2002 and amended on 22 December 2010 which amendment became effective on the same date. In accordance with the provisions of the Administrative Regulations on Environmental Protection of Construction Projects and Administrative Measures for Environmental Protection Acceptance of Construction Projects upon Completion, the PRC Government implements the system of environmental impact assessment on construction projects. After the completion of a construction project, the competent administrative department of environmental protection will undergo environmental protection acceptance process and assess whether the construction project has met the requirements for environmental protection.

Environmental Protection

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

Air Pollution

The Air Pollution Prevention Law（大氣污染防治法), which was promulgated on 29 April 2000 by the Standing Committee of the National People's Congress, became effective on 1 September 2000 and amended on 29 August 2015, establishes the legal framework for air pollution prevention in the PRC. The environmental protection department of the State Council formulates national air quality standards. Each of the local environmental protection bureaus is authorised to regulate air pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation.

Water Pollution

The Water Pollution Prevention Law（水污染防治法), which was promulgated on 11 May 1984 by the Standing Committee of the National People's Congress, became effective on 1 November 1984 and amended on 15 March 1996 and 28 February 2008 and 27 January 2017 (to be effective from

1 January 2018), establishes the legal framework for water pollution prevention in the PRC. The environmental protection department of the State Council formulates national waste discharge standards. Enterprises that discharge waste into water shall pay a treatment fee. Each of the local environmental protection bureaus is authorised to regulate water pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation, including suspending operations.

Noise Pollution

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

Construction Projects

The Environmental Impact Appraisal Law (環境影響評價法), which was promulgated by the Standing Committee of the National People's Congress on 28 October 2002, became effective on 1 September 2003 and was amended on 2 July 2016, and the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例), which was promulgated by the State Council on 29 November 1998 and became effective on 29 November 1998 and the Measures for the Administration of Examination and Approval of Environmental Protection Facilities of Construction Projects (建設項目竣工環境保護驗收管理辦法), promulgated by the Ministry of Environmental Protection on 27 December 2001, became effective on 1 February 2002 and was amended on 22 December 2010 which amendment became effective on the same date, require enterprises planning construction projects to engage qualified professionals to provide assessment reports on the environmental impact of such projects. The assessment report shall be filed with and approved by the relevant environmental protection bureau, prior to the commencement of any construction work. The construction project shall not commence operation, unless inspected and approved by the relevant environmental protection bureau.

Laws and Regulations relating to Labour

Employment Contracts

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

Employee Funds

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

REGULATIONS REGARDING OVERSEAS INVESTMENT, FINANCING AND ACQUISITION ACTIVITIES

NDRC Supervision

According to the Measures for the Administration of Approval and Filing of Overseas Investment Projects (境外投資項目核准和備案管理辦法), which became effective from 1 May 2014 and was amended on 27 December 2014, the procedure of approval and filing shall be respectively applied to different overseas investment projects. Specifically, if the amount of the investment made by the Chinese party is US$1 billion or more, or if the project is related to sensitive countries, regions or industries, regardless of the investment amount, the projects shall be subject to the approval of NDRC. If the amount of the investment made by the Chinese party is US$2 billion or more, and the project is related to the sensitive countries, areas or industries, the projects shall be subject to the examination of NDRC and then shall be reported to the State Council for approval. Projects other than as specified above shall be subject to the filing with the competent governmental body.

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

Investment projects to be carried out in Hong Kong and/or the Macau Special Administrative Region shall be governed by the Measures for the Administration of Approval and Filing of Overseas Investment Projects.

According to the Notice on Promoting the Administrative Reform for the Filing and Registration of Offshore Debt Issuances (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) (the "**NDRC Notice**"), which was issued by the NDRC on 14 September 2015 and came into effect on the same day, 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, such enterprise must in advance of issuing such bonds, file certain prescribed documents with the NDRC and procure a registration certificate from the NDRC in respect of such issue. According to the NDRC Notice, the NDRC is expected to issue a decision on the submission within seven working days after it accepts the submission. The Issuer is also required to report certain details of the Bonds to the NDRC within ten working days after the closing date of the offering. The Issuer has been advised by its PRC legal advisors that there are no foreseeable obstacles to the completion of the registration so long as all relevant documents have been duly submitted to the NDRC. The Issuer submitted the application for the registration of foreign debt to the NDRC and received NDRC's approval on the offering of the Bonds on 7 November 2017.

Foreign Exchange Administration

According to Circular of the State Administration of Foreign Exchange on Further Improving and Revising the Foreign Exchange Control Policy on Direct Investment (國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知), corporations, enterprises or other economic organisations (domestic investors) that have been permitted to make outbound investment shall go through the procedures of registration to the Foreign Exchange Bureau (外匯管理機構). The Foreign Exchange Bureau shall issue the Foreign Exchange Registration Certificate (外匯登記證) for overseas direct investment or an IC card to the domestic institution. The domestic institution shall go through the formalities for outward remittance of funds for overseas direct investment at a designated foreign exchange bank by presenting the approval document issued by the department in charge of overseas direct investment and the Foreign Exchange Registration Certificate for overseas direct investment. The scope of foreign exchange funds for overseas direct investment of domestic institutions includes their own foreign exchange funds, domestic loans in foreign currencies in compliance with relevant provisions, foreign exchange purchased with Renminbi, material objects, intangible assets and other foreign exchange funds approved by the Foreign Exchange Bureaus for overseas direct investment. The profits gained from overseas direct investment of domestic institutions may be deposited in overseas banks and used for overseas direct investment.

Pursuant to the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) and its operating guidelines, effective as at 13 May 2013, issuers of foreign debts are required to register with the SAFE. Issuers other than banks and financial departments of the government shall go through registration or record filing procedures with the local branch of the SAFE within 15 business days of entering into a foreign debt agreement.

In early 2016, PBOC introduced a pilot macro-prudential management system for cross-border financing (the "**MP Financing Management System**") which specifically applied to 27 designated banks and non-financial enterprises registered in four free trade zones in Shanghai, Tianjin, Guangdong and Fujian. On 29 April 2016, the PBOC issued the Circular on Implementing Overall Macroprudential Management System for Nationwide Cross-border Financing (中國人民銀行關於在全國範圍內實施全口徑跨境融資宏觀審慎管理的通知》) to extend the MP Financing Management System nationwide. On 12 January 2017, the PBOC issued the Notice on the Relevant Issues of the Full Scale Macro-prudential Management of Cross-border Financing (中國人民銀行關於全口徑融資宏觀審慎管理有關事宜的通知(銀發[2017]9號)) (the "**2017 PBOC Circular**"), which came into effect on the same day. Under the 2017 PBOC Circular, enterprises are required to file with SAFE after a cross-border financing agreement is signed and at least three working days prior to the drawdown of the loan or issue of debt securities, and report the relevant capital settlement information after making such capital settlement. In addition, the enterprises are also required to update the information with respect to the cross-border financing every year. In the event that the audited net assets, or the creditor, loan terms, amount or interest rate of the cross-border financing agreement changes, the enterprises are required to complete the change of the filing in due course. The 2017 PBOC Circular is a new regulation and is subject to interpretation and application by relevant PRC authorities.

Summary of significant differences between PRC GAAP and IFRS

The Issuer's Annual Financial Statements, the English versions of which included in this Offering Circular, have been prepared and presented in accordance with PRC GAAP.

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

Accordingly, no assurance is provided that the following summary of differences between PRC GAAP and IFRS is complete. In making an investment decision, each investor must rely upon its own examination of the Group, the terms of the offering and other disclosure contained herein. 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.

Reversal of an impairment loss

Under PRC GAAP, once an impairment loss is recognised for a long term asset (including fixed assets, intangible assets and goodwill, etc.), it shall not be reversed in any subsequent period. Under the IFRS, an impairment loss recognised in prior periods for an asset other than goodwill could be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Related Party Disclosures

Under PRC GAAP, government-related entitles are not treated as related parties. Under the IFRS, government-related entities are still treated as related parties.

Government Grant

Under PRC GAAP, an assets-related government grant is only required to be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. However, under IFRS, such assets-related government grants are allowed to be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset. Under PRC GAAP, the relocation compensation for public interests is required to be recognised as special payables. The income from compensation attributable to losses of fixed assets and intangible assets, related expenses, losses from production suspension incurred during the relocation and reconstruction period and purchases of assets after the relocation shall be transferred from special payables to deferred income and accounted for in accordance with the government grants standard. The surplus reached after deducting the amount transferred to deferred income shall be recognised in capital reserve. Under the IFRS, if an entity relocates for reasons of public interests, the compensation received shall be recognised in profit and loss.

Fixed assets and intangible assets

Under PRC GAAP, only the cost model is allowed. Under the IFRS, an entity can choose either the cost model or the revaluation model as its accounting policy.

TAXATION

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

Income Tax

Pursuant to the EIT Law and its implementation regulations and Individual Income Tax Law of the PRC, which was amended on 30 June 2011 and took effect on 1 September 2011, and its implementation regulations, an income tax is imposed on payment of interest by way of withholding in respect of debt securities, issued by PRC enterprises to non-PRC Bondholders, including non-PRC resident enterprises and non-PRC resident individuals. The current rates of such income tax are 10 per cent. for non-PRC resident enterprises and 20 per cent. for non-PRC resident individuals. As the Issuer is a PRC resident enterprise for tax purposes, interest paid to non-resident Bondholders may be regarded as PRC-sourced, and therefore be subject to PRC income tax at a rate of 10 per cent. for non-resident enterprise Bondholders and at a rate of 20 per cent. for non-resident individual Bondholders (or a lower treaty rate, if applicable).

Such income tax shall be withheld by the Issuer that is acting as the obligatory withholder and such PRC enterprise shall withhold the tax amount from each payment due. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified non-PRC resident enterprise Bondholders. The tax so charged on interests paid on the Bonds to non-PRC Bondholders who, or which are residents of Hong Kong (including enterprise holders and individual holders) as defined in the Arrangement will be 7 per cent. of the gross amount of the interest pursuant to the Arrangement and relevant interpretation of the Arrangement formulated by the State Administration of Taxation of China. To enjoy this preferential tax rate of 7 per cent, the Issuer could apply, on behalf of the Bondholders, to the State Administration of Taxation of the PRC for the application of the tax rate of 7 per cent. in accordance with the Arrangement on the interest payable in respect of the Bonds.

VAT

On 23 March 2016, the Ministry of Finance and the State Administration of Taxation ("**SAT**") issued the Circular of Full Implementation of Business Tax to VAT Reform（關於全面推開營業稅改征增值稅試點的通知）(Caishui [2016] No. 36) ("**Circular 36**") 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 are treated as being provided within China where either the service provider or the service recipient is located in China. 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. Further, given that the Issuer is located in the PRC, the holders of the Bonds would be regarded as providing the financial services within China and consequently, the holders of the Bonds shall be subject to VAT at the rate of 6 per cent. when receiving the interest payments under the Bonds. In addition, the holders of the Bonds shall be subject to the local levies at approximately 12 per cent. of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.72 per cent.. Given that the Issuer pays interest income to Bondholders who are located outside of the PRC, the Issuer, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Bondholders who are located outside of 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.

Circular 36 has been issued quite recently, the above statement may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

Pursuant to the EIT Law, the Business Tax Laws and the VAT reform detailed above, the Issuer shall withhold EIT, (should such tax apply) from the payments of interest in respect of the Bonds for any non-PRC-resident Bondholder and the Issuer shall withhold business tax or VAT (should such tax apply) from the payments of interest in respect of the Bonds for any Bondholders located outside of the PRC. However, in the event that the Issuer is required to make such a deduction or withholding (whether by way of EIT, business tax or VAT otherwise), the Issuer has agreed to pay such additional amounts as will result in receipt by the Bondholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. For more information, see "*Terms and Conditions of the Bonds – Taxation*".

Stamp duty

No PRC stamp duty will be imposed on non-PRC Bondholders 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.

Hong Kong

Withholding tax

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

Profits tax

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

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "**Inland Revenue Ordinance**") as it is currently applied by the Inland Revenue Department, interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried in Hong Kong in the following circumstances:

(a) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(b) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation (other than a financial institution) carrying on a trade, profession or business in Hong Kong; or

(c) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person (other than a corporation) carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business.

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 who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source.

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

Stamp duty

No Hong Kong stamp duty will be chargeable for the issue and transfer of the Bonds.

Estate duty

No Hong Kong estate duty is payable in respect of the Bonds.

The European Union

The Proposed Financial Transactions Tax (FTT)

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

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

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

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

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

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Joint Lead Managers dated 21 December 2017 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to, subscribe and pay for or to procure subscribers to subscribe and pay for all the Bonds, as follows:

Joint Lead Managers	**Principal amount of the Bonds to be subscribed**
	(US$)
Guotai Junan Securities (Hong Kong) Limited	US$260,000,000
CMBC Securities Company Limited	US$ 10,000,000
CNCB (Hong Kong) Capital Limited	US$ 10,000,000
Hung Sing Securities Limited	US$ 10,000,000
Standard Chartered Bank	US$ 10,000,000
Total	**US$300,000,000**

The Subscription Agreement provides that each of the Joint Lead Managers and its respective affiliates, and their respective directors, officers and employees will be indemnified against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

Each Joint Lead Manager and certain of its respective subsidiaries or affiliates may have in the past perform and may in the future perform certain investment banking and advisory services for, and enter into certain commercial banking transactions with, the Issuer and/or its subsidiaries, from time to time, for which they have received customary fees and expenses. Each Joint Lead Manager and its respective subsidiaries or affiliates may, from time to time, engage in transactions with and perform services for the Issuer and/or its subsidiaries in the ordinary course of business.

In connection with the offering of the Bonds, each Joint Lead Manager and/or its respective affiliate (s) may act as an investor for its own account and may take up Bonds in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references herein to the Bonds being offered should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. Each Joint Lead Managers or its respective affiliates may purchase the Bonds for its own account or for the accounts of their customers and enter into transactions, including credit derivative, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of ours or our subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds).

In connection with the issue of the Bonds, any of the Joint Lead Managers appointed and acting in its capacity as a Stabilising Manager or any person acting on behalf of the Stabilising Manager may, to the extent permitted by applicable laws and regulations, over-allot the Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilising Manager or any person acting on behalf of the Stabilising Manager shall act as principal and not as agent of the Issuer. However, there is no assurance that the Stabilising Manager or any person acting on behalf of the Stabilising Manager will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the Bonds is made and, if begun, may be ended at any time, but must end after a limited period.

General

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

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

United States

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Joint Lead Manager has represented, warranted and undertaken that it has not offered or sold, and will not offer or sell, any bonds constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act and, accordingly, that neither it nor any of its affiliates (including any person acting on behalf of such Joint Lead Manager or any of its affiliates) has engaged or will engage in any directed selling efforts with respect to the Bonds.

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

United Kingdom

Each Joint Lead Manager 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.

European Economic Area

From 1 January 2018, each of the Joint Lead Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular as completed by the Terms and Conditions in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

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

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

  (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) not a qualified investor as defined in the Prospectus Directive (as defined below); and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds.

Prior to 1 January 2018, in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Joint Lead Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Bonds to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Bonds to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Joint Lead Managers; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Bonds referred to in (a) to (c) above shall require the Issuer or any Joint Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive. For the purposes of this provision, the expression "an offer of Bonds to the public" in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Hong Kong

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

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance; and

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

The People's Republic of China

Each Joint Lead Manager has represented, warranted and undertaken that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and undertaken 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) of the SFA, or any person pursuant to Section 275 (1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where 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 interests (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person as defined in Section 275 (2) of the SFA, or to any person arising from an offer referred to in Section 275 (1A) or Section 276 (4) (i) (B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276 (7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments), (Shares and Debentures) Regulations 2005 of Singapore.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended) (the "**Financial Instruments and Exchange Act**") and, accordingly, each of the Joint Lead Managers have represented, warranted and undertaken 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, regulations and ministerial guidelines of Japan.

GENERAL INFORMATION

1. **Clearing Systems**: The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 173931719 and the International Securities Identification Number for the Bonds is XS1739317193.

2. **Authorisations**: The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds and the entry into the transaction documents in connection with the Bonds were authorised by resolutions of the board of directors of the Issuer on 13 December 2017 and by the shareholder's resolutions of the Issuer on 13 December 2017.

3. **No Material Adverse Change**: There has been no material adverse change, or any development reasonably likely to involve an adverse change, in the financial or trading position, prospects or results of operations of the Issuer since 30 June 2017.

4. **Litigation**: None of the Issuer or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer believes are material in the context of the Bonds nor the Issuer is aware that any such proceedings are pending or threatened.

5. **Available Documents**: Copies of the Trust Deed and the Agency Agreement will be available for inspection in physical form from the Issue Date at the specified office of the Trustee at all reasonable times during normal business hours (being 9:00 a.m. to 3:00 p.m.) upon prior written request and proof of holding, so long as any of the Bonds is outstanding.

6. **Financial Statements**: The audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2016, which have been audited by Huapu Tianjian as stated in its report appearing herein, are included elsewhere in this Offering Circular. The consolidated financial statements of the Issuer as at and for the six months ended 30 June 2017, which are included elsewhere in this Offering Circular, have not been audited by have been reviewed by Huapu Tianjian. The consolidated financial statements of the Issuer are prepared under the PRC GAAP. These consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions.

7. **Listing**: Approval in-principle has been received for the listing of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Circular. Admission of the Bonds to the official list of the SGX-ST is not to be taken as an indication of our merits or the merits of the Bonds. The Bonds will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000 for so long as the Bonds are listed and quoted on the SGX-ST and the rules of the SGX-ST so require.

   For so long as the Bonds are listed and quoted on the SGX-ST and the rules of the SGX-ST so require, the Issuer will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that a Global Certificate is exchanged for definitive certificates. In addition, in the event that a Global Certificate is exchanged for definitive certificates, an announcement of such exchange shall be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive certificates, including details of the paying agent in Singapore.

INDEX TO FINANCIAL STATEMENTS

KZZ [2017] No ZJ0001

Audit Review Report

To All Shareholders of Jiaxing City Investment and Development Group Co., Ltd.:

We have reviewed the accompanying financial statements of Jiaxing City Investment and Development Group Co., Ltd. (hereinafter referred to as "the Company"), which comprise the consolidated and the Company's statements of financial position as at 30 June 2017, and the consolidated and the Company's statements of profit or loss and other comprehensive income, the consolidated and the Company's statements of cash flows and the consolidated and the Company's statements of changes in equity for the year then ended, and the notes to the financial statements. The management of the Company is responsible for the preparation of these interim financial statements. Our responsibility is to issue our review report on these interim financial statements based on our review.

We conducted our review in accordance with the Review Standard for Chinese Certified Public Accountants No. 2101 Review of Financial Statements. The standard requires us to plan and conduct a review to obtain limited assurance as to whether the interim financial statements are free from material misstatement. A review is limited primarily to inquiries of company's personnel and performing analytical procedures on the data. A review provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared in accordance with the requirement in Accounting Standards for Business Enterprises – No. 32.

Huapu Tianjian Certified Public Accountants LLP
Zhejiang Branch

Zhejiang • China

Certified Public Accountant:

Certified Public Accountant:

Certified Public Accountant:

24 September 2017

Interim Consolidated Statement of Financial Position
As at June 2017

Prepared by： Jiaxing City Investment and Development Group Co.,Ltd　　Unit：Yuan　　Currency: CNY

Items	Notes	As at 30 Jun 2017	As at 31 Dec 2016	Items	Notes	As at 30 Jun 2017	As at 31 Dec 2016
Current assets:				**Current liabilities:**			
Monetary Assets	**5.1**	1,744,819,035.79	1,743,491,975.40	Short-term borrowings	**5.16**	343,000,000.00	219,500,000.00
Financial assets at fair value through profit or loss				Financial liabilities at fair value through profit or loss			
Derivative financial assets				Derivative financial liabilities			
Bills receivables				Bills payables	**5.17**		1,680,000.00
Accounts receivable	**5.2**	31,203,371.95	16,688,254.18	Accounts payable	**5.18**	125,894,151.71	163,841,888.48
Prepayment	**5.3**	181,344,999.20	187,190,461.96	Receipt in advance	**5.19**	164,689,243.04	337,510,242.85
Interest receivable				Employee benefits payable	**5.20**	2,936,564.96	22,790,349.46
Dividend receivable				Taxes payable	**5.21**	5,662,274.62	9,486,698.38
Other receivables	**5.4**	2,523,148,298.17	2,095,005,004.50	Interest payable	**5.22**	56,386,374.40	82,019,073.14
Inventory	**5.5**	16,162,261,600.58	15,923,955,344.67	Dividend payable		500,776.46	500,776.46
Assets classified as held-for-sale				Other payables	**5.23**	4,131,475,973.81	2,715,833,359.65
Non-current assets due within one year				Liabilities classified as held for sale			
Other current assets	**5.6**	782,658,992.62	678,820,484.63	Non-current liabilities due within one year	**5.24**	1,767,600,000.00	1,720,300,000.00
Total current assets		**21,425,436,298.30**	**20,645,151,525.34**	Other current liabilities	**5.25**		300,000,000.00
Non-current assets:				**Total liabilities**		**6,598,145,359.01**	**5,573,462,388.42**
Available-for-sale financial assets	**5.7**	561,833,117.00	561,833,117.00	**Non-current liabilities:**			
Held-to-maturity investment				Long-term borrowings	**5.26**	2,555,578,990.92	2,671,278,990.92
Long-term receivables				Bonds payable	**5.27**	990,000,000.00	1,170,000,000.00
Long-term equity investment	**5.8**	97,573,021.68	86,062,398.05	Including: Preference shares			
Investment properties	**5.9**	512,254,584.56	521,205,563.75	Perpetual capital securities			
Fixed assets	**5.10**	915,716,418.02	902,954,642.42	Long-term payables	**5.28**	81,885,000.00	94,315,000.00
Construction in progress	**5.11**	151,795,272.78	109,974,238.98	Long-term employee benefits payable			
Construction materials				Special payables	**5.29**	978,056,329.35	955,811,981.14
Disposal of fixed assets				Estimated liabilities			
Productive biological assets				Deferred income			
Oil and gas assets				Deferred tax liabilities			
Intangible assets	**5.12**	121,570,578.43	125,398,718.42	Other non-current liabilities		309,702,916.35	274,238,567.25
Research and development expenditure				**Total non-current liabilities**		**4,915,223,236.62**	**5,165,644,539.31**
Goodwill	**5.13**	396,102.80	396,102.80	**Total liabilities**		**11,513,368,595.63**	**10,739,106,927.73**
Long-term deferred expenses	**5.14**	46,757,962.47	48,999,690.51	**Owners' equity**			
Deferred tax assets	**5.15**	14,258,045.02	14,636,175.23	Paid-in Capital	**5.30**	2,250,000,000.00	2,250,000,000.00
Other non-current assets		5,525,619.33	5,525,619.33	Other equity instruments			
Total non-current assets		**2,427,680,722.09**	**2,376,986,266.49**	Including: Preference shares			
				Perpetual capital securities			
				Capital reserve	**5.31**	8,251,298,332.95	8,246,044,962.95
				Less: Treasury stock			
				Other comprehensive income			
				Specific reserve			
				Surplus reserve	**5.32**	3,772,640.86	3,772,640.86
				General risk reserve			
				Retained earnings	**5.33**	1,825,588,271.05	1,771,646,607.35
				Total owner's equity attributable to parent company		**12,330,659,244.86**	**12,271,464,211.16**
				Non-controlling interests		**9,089,179.90**	**11,566,652.94**
				Total owners' equity		**12,339,748,424.76**	**12,283,030,864.10**
Total assets		**23,853,117,020.39**	**23,022,137,791.83**	**Total liabilities and owners' equity**		**23,853,117,020.39**	**23,022,137,791.83**

Legal representative:　　Head of accounting department:　　Head of the accounting firm：

Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income
Six months ended 30 June

Prepared by： Jiaxing City Investment and Development Group Co.,Ltd　　Unit： Yuan　　Currency: CNY

Items	Notes	2017	2016
I. Total operating revenue	**5.34**	**1,334,522,229.43**	**695,231,929.18**
Including: Operating revenue	**5.34**	1,334,522,229.43	695,231,929.18
Interest income			
Guarantee fee income			
Commission and brokerage income			
II. Total operating cost		**1,276,417,648.29**	**687,436,539.34**
Including: Operating cost	**5.34**	1,152,442,903.70	582,010,179.61
Interest expenses			
Commission and brokerage expenses			
Surrender value			
Net payments for insurance claims			
Net change in guarantee contract liabilities			
Bond insurance expense			
Subcontract expense			
Taxes and surcharges	**5.35**	22,696,281.13	12,559,137.90
Selling expenses		31,750,122.25	37,534,304.42
Administrative expenses		38,820,867.66	34,317,820.01
Financial costs	**5.36**	32,133,156.23	21,367,692.22
Impairment losses	**5.37**	-1,425,682.68	-352,594.82
Add: gain arising from fair value changes (loss filled in with mark "-")			
Income from investment (loss filled in with mark "-")	**5.38**	-5,862,438.88	197,274.77
Including: share of profit and losses from associates and joint ventures		-8,489,376.37	
Exchange gain (loss filled in with mark "-")			
Other gains (losses are filled with "-")	**5.39**	373,020.00	
III. Operating profit (loss filled in with mark "-")		**52,615,162.26**	**7,992,664.61**
Add: Non-operating income	**5.40**	1,331,752.23	884,088.06
Including: gain on dispossal of non-current assets		423,836.53	
Less: Non-operating expenses	**5.41**	328,421.36	486,849.98
Including: loss on disposal of non-current assets			
IV. Total profits (total loss filled in with mark "-")		**53,618,493.13**	**8,389,902.69**
Less: income tax expense	**5.42**	2,154,302.47	1,466,542.39
V. Net profits (net loss filled in with mark "-")		**51,464,190.66**	**6,923,360.30**
Net profits attributed to equity owners of the Company		53,941,663.70	7,693,464.90
Non-controlling interest		-2,477,473.04	-770,104.60
VI. Other comprehensive income, net of tax		-	-
Other comprehensive income after tax attributable to equity owners of the Company		-	-
(1) Other comprehensive income that cannot be reclassified to the profit and loss		-	-
1. Net change in indebtedness or assets of defined benefit plans			
2. Share of other comprehensive income of the investee recognised under equity method that cannot be classified to profit and loss			
(2) Other comprehensive income that will be reclassified to the profit and loss		-	-
1. Share of other comprehensive income that will be classified to profit and loss under equity method			
2. Gain/loss from change in fair value of available-for-sale financial assets			
3. Gain/loss from re-classficiation of investments held to maturity as financial assets available for sale			
4. Effective portion of gain / loss from cash flow hedging			
5. Exchange difference on translating financial statements in foreign currency			
6. Others			
Other comprehensive income after tax attributable to non-controlling interest			
VII. Total comprehensive income		51,464,190.66	6,923,360.30
Total comprehensive incomes attributable to equity owners of the Company		53,941,663.70	7,693,464.90
Total comprehensive incomes attributable to non-controlling interest		-2,477,473.04	-770,104.60
VIII. Earning per share			
Basic earnings per share			
Diluted earnings per share			

Legal representative:　　Head of accounting department:　　Head of the accounting firm：

Interim Consolidated Statement of Cash Flows
Six months ended 30 June

Prepared by：Jiaxing City Investment and Development Group Co.,Ltd Unit：Yuan Currency: CNY

Items	Notes	2017	2016
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		1,237,785,239.01	778,124,867.79
Tax and levies refunded			210,389.18
Cash received from other operating activities		1,265,496,003.93	1,551,280,583.34
Sub-total of cash inflows from operating activities		2,503,281,242.94	2,329,615,840.31
Cash payments for goods purchased and services received		1,397,355,889.28	968,969,326.94
Cash paid to or payments on behalf of employees		74,052,553.44	39,701,150.90
Payments of various taxes and levies		94,757,307.22	30,623,638.22
Cash paid for other operating activities		116,347,529.85	1,167,618,981.09
Sub-total of cash outflows from operating activities		1,682,513,279.79	2,206,913,097.15
Net cash flows from operating activities		**820,767,963.15**	**122,702,743.16**
II. Cash flows from investing activities			
Cash received from disposal of investments		660,000,000.00	5,000,000.00
Receipt of returns from investments		2,626,937.49	197,274.77
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,392,997.24	
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investment activities			
Sub-total of cash inflows from investing activities		664,019,934.73	5,197,274.77
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		90,630,679.75	57,235,472.45
Cash paid for investments		780,000,000.00	
Net cash paid for acquisition of subsidiaries and other business units			
Cash paid for other investment activities			142,498,160.50
Sub-total of cash outflows from investing activities		870,630,679.75	199,733,632.95
Net cash flows from investing activities		**-206,610,745.02**	**-194,536,358.18**
III. Cash flows from financing activities			
Cash received from investors			
Inception of borrowings		273,500,000.00	1,518,407,480.00
Cash received from other financing activities		29,493,370.00	51,964,976.75
Sub-total of cash inflows from financing activities		302,993,370.00	1,570,372,456.75
Repayments of borrowings		790,830,000.00	815,996,501.00
Dividend, profits appropriation and interest payment settled by cash		122,997,875.95	97,710,482.07
Cash paid for other financing activities		1,155,651.79	33,350,000.00
Sub-total of cash outflows from financing activities		914,983,527.74	947,056,983.07
Net cash flows from financing activities		**-611,990,157.74**	**623,315,473.68**
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase / (decrease) in cash and cash equivalents		**2,167,060.39**	**551,481,858.66**
Add: Beginning balance of cash and cash equivalents		**1,742,651,975.40**	**1,354,287,711.17**
VI. Cash and cash equivalents at the end of the period		**1,744,819,035.79**	**1,905,769,569.83**

Legal representative: Head of accounting department: Head of the accounting firm：

Interim Consolidated Statement of Changes in Owners' Equity

Prepared by： Jiaxing City Investment and Development Group Co.,Ltd — Unit： Yuan — Currency: CNY

Year ended 30 Jun 2017

Items	Owners' equity attributable to the parent company – Paid-in Capital	Other equity instruments – Preference shares	Other equity instruments – Perpetual capital securities	Other equity instruments – Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Non-controlling interests	Total owners' equity
I. Balance at 31 December 2016	**2,250,000,000.00**	**-**	**-**	**-**	**8,246,044,962.95**	**-**	**-**	**-**	**3,772,640.86**	**-**	**1,771,646,607.35**	**11,566,652.94**	**12,283,030,864.10**
Add：Changes in accounting policy													-
Correction of prior period errors													-
Business combination under common control													-
Others													-
II. Balance at 1 January 2017	**2,250,000,000.00**	**-**	**-**	**-**	**8,246,044,962.95**	**-**	**-**	**-**	**3,772,640.86**	**-**	**1,771,646,607.35**	**11,566,652.94**	**12,283,030,864.10**
III. Changes in equity during the reporting period	**-**	**-**	**-**	**-**	**5,253,370.00**	**-**	**-**	**-**	**-**	**-**	**53,941,663.70**	**-2,477,473.04**	**56,717,560.66**
(i) Total comprehensive income							-				53,941,663.70	-2,477,473.04	51,464,190.66
(ii) Capital contributions or withdrawals by owners	-				5,253,370.00	-		-	-	-	-	-	5,253,370.00
1. Ordinary shares contributed by shareholders													-
2. Capital contributed by holders of other equity instruments													-
3. Share-based payments recognised in owners' equity													-
4. Others					5,253,370.00								5,253,370.00
(iii) Profit distribution	-				-	-		-	-	-	-	-	-
1. Withdrawal of surplus reserves											-		-
2. Withdrawal of general risk reserves													-
3. Profit distribution to investors (or shareholders)													-
4. Others													-
(iv) Transfer between equity	-				-	-		-	-	-	-	-	-
1. Capital reserves transfer to share capital													-
2. Surplus reserves transfer to share capital													-
3. Surplus reserves used to cover accumulated deficits													-
4. Others													-
(v) Specific reserves	-				-	-		-	-	-	-	-	-
1. Withdrawal during the reporting period													-
2. Usage during the reporting period													-
(vi) Others													-
IV. Balance at 30 June 2017	**2,250,000,000.00**	**-**	**-**	**-**	**8,251,298,332.95**	**-**	**-**	**-**	**3,772,640.86**	**-**	**1,825,588,271.05**	**9,089,179.90**	**12,339,748,424.76**

Legal representative: Head of accounting department: Head of the accounting firm:

Interim Consolidated Statement of Changes in Owners’ Equity

Prepared by： Jiaxing City Investment and Development Group Co.,Ltd Unit： Yuan Currency: CNY

Items	2016												
	Owners’ equity attributable to the parent company											Non-controlling interests	Total owners’ equity
	Paid-in Capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings		
		Preference shares	Perpetual capital securities	Others									
I. Balance at 31 December 2015	**2,250,000,000.00**	-	-	-	**3,960,087,958.39**	-	-	-	**2,138,759.39**	-	**1,579,064,591.32**	**198,074,103.73**	**7,989,365,412.83**
Add：Changes in accounting policy													-
Correction of prior period errors											-719,312.45		**-719,312.45**
Business combination under common control													-
Others													-
II. Balance at 1 January 2016	**2,250,000,000.00**	-	-	-	**3,960,087,958.39**	-	-	-	**2,138,759.39**	-	**1,578,345,278.87**	**198,074,103.73**	**7,988,646,100.38**
III. Changes in equity during the reporting period	-	-	-	-	**4,285,957,004.56**	-	-	-	**1,633,881.47**	-	**193,301,328.48**	**-186,507,450.79**	**4,294,384,763.72**
(i) Total comprehensive income							-				194,935,209.95	-3,937,062.57	**190,998,147.38**
(ii) Capital contributions or withdrawals by owners	-				4,294,957,004.56	-		-	-	-	-	-	**4,294,957,004.56**
1. Ordinary shares contributed by shareholders													-
2. Capital contributed by holders of other equity instruments													-
3. Share-based payments recognised in owners’ equity													-
4. Others					4,294,957,004.56								**4,294,957,004.56**
(iii) Profit distribution	-				-	-		-	1,633,881.47	-	-1,633,881.47	-	-
1. Withdrawal of surplus reserves									1,633,881.47		-1,633,881.47		-
2. Withdrawal of general risk reserves													-
3. Profit distribution to investors (or shareholders)													-
4. Others													-
(iv) Transfer between equity	-				-	-		-	-	-	-	-	-
1. Capital reserves transfer to share capital													-
2. Surplus reserves transfer to share capital													-
3. Surplus reserves used to cover accumulated deficits													-
4. Others													-
(v) Specific reserves	-				-	-		-	-	-	-	-	-
1. Withdrawal during the reporting period													-
2. Usage during the reporting period													-
(vi) Others					-9,000,000.00							-182,570,388.22	**-191,570,388.22**
IV. Balance at 31 December 2016	**2,250,000,000.00**	-	-	-	**8,246,044,962.95**	-	-	-	**3,772,640.86**	-	**1,771,646,607.35**	**11,566,652.94**	**12,283,030,864.10**

Legal representative: Head of accounting department: Head of the accounting firm:

Interim Statement of Financial Position

As at June 2017

Prepared by : Jiaxing City Investment and Development Group Co.,Ltd   Unit: Yuan   Currency: CNY

Items	Notes	As at 30 Jun 2017	As at 31 Dec 2016	Items	Notes	As at 30 Jun 2017	As at 31 Dec 2016
Current assets:				**Current liabilities**			
Monetary Assets		35,606,330.85	35,581,661.10	Short-term borrowings		5,000,000.00	5,000,000.00
Financial assets at fair value through profit or loss				Financial liabilities at fair value through profit or loss			
Derivative financial assets				Derivative financial liabilities			
Bills receivables				Bills payables			
Accounts receivable				Accounts payable			
Prepayment				Receipt in advance			
Interest receivable				Employee benefits payable			
Dividend receivable				Taxes payable			
Other receivables	**12.1**	1,756,480,376.56	1,971,138,591.18	Interest payable		43,281,488.77	36,914,908.89
Inventory				Dividend payable			
Assets classified as held-for-sale				Other payables		70,000,000.00	71,040,000.00
Non-current assets due within one year				Liabilities classified as held for sale			
Other current assets				Non-current liabilities due within one year		770,000,000.00	770,000,000.00
Total current assets		**1,792,086,707.41**	**2,006,720,252.28**	Other current liabilities			300,000,000.00
Non-current assets:				**Total liabilities**		**888,281,488.77**	**1,182,954,908.89**
Available-for-sale financial assets		149,500,000.00	149,500,000.00	**Non-current liabilities:**			
Held-to-maturity investment				Long-term borrowings		241,000,000.00	141,000,000.00
Long-term receivables				Bonds payable		600,000,000.00	600,000,000.00
Long-term equity investment	**12.2**	7,378,565,024.00	7,367,054,400.37	Including: Preference shares			
Investment properties				Perpetual capital securities			
Fixed assets				Long-term payables			
Construction in progress				Long-term employee benefits payable			
Construction materials				Special payables			
Disposal of fixed assets				Estimated liabilities			
Productive biological assets				Deferred income			
Oil and gas assets				Deferred tax liabilities			
Intangible assets				Other non-current liabilities			
Research and development expenditure				**Total non-current liabilities**		**841,000,000.00**	**741,000,000.00**
Goodwill				**Total liabilities**		**1,729,281,488.77**	**1,923,954,908.89**
Long-term deferred expenses				**Owners' equity**			
Deferred tax assets				Paid-in Capital		2,250,000,000.00	2,250,000,000.00
Other non-current assets				Other equity instruments			
Total non-current assets		**7,528,065,024.00**	**7,516,554,400.37**	Including: Preference shares			
				Perpetual capital securities			
				Capital reserve		5,288,253,318.69	5,288,253,318.69
				Less: Treasury stock			
				Other comprehensive income			
				Special reserve			
				Surplus reserve		3,772,640.86	3,772,640.86
				Retained earnings		48,844,283.09	57,293,784.21
				Total owner's equity		7,590,870,242.64	7,599,319,743.76
Total assets		**9,320,151,731.41**	**9,523,274,652.65**	**Total liabilities and owners' equity**		**9,320,151,731.41**	**9,523,274,652.65**

Legal representative: Head of accounting department: Head of the accounting firm:

Interim Statement of Profit or Loss and Other Comprehensive Income

Six months ended 30 June

Prepared by：Jiaxing City Investment and Development Group Co.,Ltd　　Unit：Yuan　Currency: CNY

Items	Notes	2017	2016
I. Operating revenue			
Less: Operating cost			
Taxes and surcharges			
Selling and distribution expenses			
Administrative expenses		105,950.00	-158,970.33
Finance costs		-145,825.25	6,538.98
Impairment loss of assets			
Add: Gains arising from fair value changes (loss filled in with mark "-")			
Income from investment (loss filled in with mark "-")	**12.3**	-8,489,376.37	
Including: Share of profit and losses from associates and joint ventures		-8,489,376.37	
Other gains (losses are filled with "-")			
II. Profit/(loss) from operations		**-8,449,501.12**	**152,431.35**
Add: Non-operating income			
Including: Gains from disposal of non-current assets			
Less: Non-operating expenses			
Including: Losses from disposal of non-current assets			
III. Profit/(loss) before tax		**-8,449,501.12**	**152,431.35**
Less: Income tax expenses			
IV. Net profit/(loss) for the year		**-8,449,501.12**	**152,431.35**
Including:Continuous net profit (net loss is filled with "-")			
Termination of net profit (net loss is filled with "-")			
V. Other comprehensive income for the year, after tax		-	-
(i) Items that will not be reclassified subsequently to profit or loss		-	-
1.Remeasurement of the net defined benefit liability (asset)			
2. Share of the other comprehensive income of the investee accounted for using the equity method which will not be reclassified subsequently to profit and loss			
(ii) Items that may be reclassified subsequently to profit or loss		-	-
1. Share of the other comprehensive income of the investee accounted for using the equity method which will be reclassified subsequently to profit or loss			
2.Gains/(losses) arising from changes in fair value of available-for-sale financial assets			
3. Gains/(losses) arising from reclassification of held-to-maturity investment as available-for-sale financial assets			
4. The effective portion of the gains /losses on cash flow hedge			
5. Exchange differences on translating foreign operations			
6. Others			
VI. Total comprehensive income for the year		-8,449,501.12	152,431.35
VII. Earnings per share:			
Basic earnings per share			
Diluted earnings per share			

Legal representative:　　Head of accounting department:　　Head of the accounting firm:

Interim Statement of Cash Flows

Six months ended 30 June

Prepared by： Jiaxing City Investment and Development Group Co.,Ltd   Unit：Yuan   Currency: CNY

Items	Notes	2017	2016
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services			
Tax and levies refunded			
Cash received from other operating activities		257,939,703.39	
Sub-total of cash inflows from operating activities		257,939,703.39	-
Cash paid for goods acquired and services received			
Cash payments to and on behalf of employees			
Payments of various taxes and levies			
Cash paid for other operating activities		19,976,310.35	459,200,981.93
Sub-total of cash outflows from operating activities		19,976,310.35	459,200,981.93
Net cash flows from operating activities		237,963,393.04	-459,200,981.93
II. Cash flows from investing activities			
Cash received from disposal of investments			
Receipt of returns from investments			
Net cash receipts from disposals of fixed assets,intangible assets and other long-term assets			
Net cash receipts from disposals of subsidiaries and other business units			
Cash received from other investing activities			
Sub-total of cash inflows from investing activities		-	-
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets			9,768,680.00
Cash paid for investments		20,000,000.00	
Net cash paid for acquisition of subsidiaries and other business units			
Cash paid for other investing activities			
Sub-total of cash outflows from investing activities		**20,000,000.00**	**9,768,680.00**
Net cash flows from investing activities		**-20,000,000.00**	**-9,768,680.00**
III. Cash flows from financing activities			
Cash received from investors			
Inception of borrowings		100,000,000.00	900,000,000.00
Cash received from other financing activities			5,397,400.00
Sub-total of cash inflows from financing activities		100,000,000.00	905,397,400.00
Repayments of borrowings		300,000,000.00	420,000,000.00
Dividend, profits distribution and interest payment settled by cash		17,938,723.29	28,238,953.84
Cash paid for other financing activities			
Sub-total of cash outflows from financing activities		**317,938,723.29**	**448,238,953.84**
Net cash flows from financing activities		**-217,938,723.29**	**457,158,446.16**
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase / (decrease) in cash and cash equivalents		24,669.75	-11,811,215.77
Add: Beginning balance of cash and cash equivalents		35,581,661.10	52,051,512.32
VI. Cash and cash equivalents at the end of the period		35,606,330.85	40,240,296.55

Legal representative: Head of accounting department: Head of the accounting firm：

Interim Statement of Changes in Owners' Equity

Prepared by： Jiaxing City Investment and Development Group Co.,Ltd Unit：Yuan Currency: CNY

Items	Year ended 30 Jun 2017										
	Paid-in Capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total owners' equity
		Preference shares	Perpetual capital securities	Others							
I. Balance at 31 December 2016	**2,250,000,000.00**	**-**	**-**	**-**	**5,288,253,318.69**	**-**	**-**	**-**	**3,772,640.86**	**57,293,784.21**	**7,599,319,743.76**
Add：Changes in accounting policy											-
Correction of prior period errors											-
Others											-
II. Balance at 1 January 2016	**2,250,000,000.00**	**-**	**-**	**-**	**5,288,253,318.69**	**-**	**-**	**-**	**3,772,640.86**	**57,293,784.21**	**7,599,319,743.76**
III. Changes in equity during the reporting period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-8,449,501.12**	**-8,449,501.12**
(i) Total comprehensive income							-			-8,449,501.12	-8,449,501.12
(ii) Capital contributions or withdrawals by owners	-	-	-	-	-	-	-	-	-	-	-
1. Ordinary shares contributed by shareholders											-
2. Capital contributed by holders of other equity instruments											
3. Share-based payments recognised in owners' equity											-
4. Others											-
(iii) Profit distribution	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal of surplus reserves										-	-
2. Withdrawal of general risk reserves											-
3. Others											-
(iv) Transfer between equity	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transfer to share capital											-
2. Surplus reserves transfer to share capital											-
3. Surplus reserves used to cover accumulated deficits											-
4. Others											-
(v) Specific reserves	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal during the reporting period											-
2. Usage during the reporting period											-
(vi) Others											
IV. Balance at 30 June 2017	**2,250,000,000.00**	**-**	**-**	**-**	**5,288,253,318.69**	**-**	**-**	**-**	**3,772,640.86**	**48,844,283.09**	**7,590,870,242.64**

Legal representative: Head of accounting department: Head of the accounting firm:

Interim Statement of Changes in Owners' Equity

Prepared by：Jiaxing City Investment and Development Group Co.,Ltd Unit：Yuan Currency: CNY

Item	2016										
	Paid-in Capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total owners' equity
		Preference shares	Perpetual capital securities	Others							
I. Balance at 31 December 2015	**2,250,000,000.00**	**-**	**-**	**-**	**5,117,482,639.64**	**-**	**-**	**-**	**2,138,759.39**	**-7,873,073.05**	7,361,748,325.98
Add：Changes in accounting policy											-
Correction of prior period errors											-
Others											-
II. Balance at 1 January 2016	**2,250,000,000.00**	**-**	**-**	**-**	**5,117,482,639.64**	**-**	**-**	**-**	**2,138,759.39**	**-7,873,073.05**	**7,361,748,325.98**
III. Changes in equity during the reporting period	**-**	**-**	**-**	**-**	**170,770,679.05**	**-**	**-**	**-**	**1,633,881.47**	**65,166,857.26**	**237,571,417.78**
(i) Total comprehensive income										16,338,814.72	16,338,814.72
(ii) Capital contributions or withdrawals by owners	-	-	-	-	170,770,679.05	-	-	-	-	-	170,770,679.05
1. Ordinary shares contributed by shareholders											-
2. Capital contributed by holders of other equity instruments											
3. Share-based payments recognised in owners' equity											-
4. Others					170,770,679.05						170,770,679.05
(iii) Profit distribution	-	-	-	-	-	-	-	-	1,633,881.47	-1,633,881.47	-
1. Withdrawal of surplus reserves									1,633,881.47	-1,633,881.47	-
2. Withdrawal of general risk reserves											-
3. Others											-
(iv) Transfer between equity	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transfer to share capital											-
2. Surplus reserves transfer to share capital											-
3. Surplus reserves used to cover accumulated deficits											-
4. Others											-
(v) Specific reserves	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal during the reporting period											-
2. Usage during the reporting period											-
(vi) Others										50,461,924.01	50,461,924.01
IV. Balance at 31 December 2016	**2,250,000,000.00**	**-**	**-**	**-**	**5,288,253,318.69**	**-**	**-**	**-**	**3,772,640.86**	**57,293,784.21**	**7,599,319,743.76**

Legal representative: Head of accounting department: Head of the accounting firm:

Jiaxing City Investment and Development Group Co., Ltd

Notes to the Financial Statements

As at and for the year ended June 30, 2017

（All amounts denominated in CNY yuan unless otherwise specified）

Note 1. Company Information

1. 1 Company Profile

Jiaxing City Investment and Development Group Co., Ltd (hereinafter referred to as "the Company"), was set up based on the approved document of Capital(2009) No.146 of the Jiaxing Municipal People's Government State-owned Assets Supervision and Administration Commission, by the Jiaxing Culture Mingcheng Investment Group Co., Ltd, on 21 December 2009 and its business license was achieved by the Jiaxing , which was issued by the Administration of Industry and Commerce with a registered capital of CNY30 million yuan, this has been audited by the Zhonglei Certified Public Accountants Co., Ltd Zhejiang branch and issued on 11th, December 2009 with the verification report No.038 (2009).

On 13 May 2010, according to the Jiaxing Municipal People's Government State-owned Assets Supervision and Administration Commission’s document of Capital (2010) No.82 <Approval for the Jiaxing City Investment and Development Group Co., Ltd capital increase>, the Company increased the registered capital by CNY2000 million yuan, after the capital increase, the registered capital was changed to CNY2030 million yuan, of which Jiaxing Cultural City Investment Group Co., Ltd. holds 100% equity interest. The capital increase has been audited by Zhonglei Certified Public Accountants Co., Ltd Zhejiang branch and issued with the capital verification report No.70 (2010).

On 18 December 2014, according to the Company shareholders' decision and the modified articles of association, the Company increased the registered capital by CNY220 million yuan, after this change the registered capital was changed to CNY2250 million yuan, the capital increase of CNY220 million yuan was contributed by the Jiaxing Cultural City Investment Group Co., Ltd with monetary capital.

Enterprise unified social credit code : 91330402699511532M。

The Company's principal operating activities: Industrial investment; Infrastructure construction; Tourism resources development; Assets management; Property services.

Legal representative: Shihong Chen.

Residence of a company: 4th Floor of No. 333 West Ring Road, Jiaxing.

Parent company of the Company: Jiaxing Cultural City Investment Group Co., Ltd.

Ultimate Controlling Owners: Jiaxing municipal people's government state-owned

2. Basis of consolidation

2.1 Company's subsidiaries consolidated:

Serial No.	Company Name	Proportion of ownership interest	
		Directly (%)	Indirectly (%)
1	Jiaxing City Construction Investment Co., Ltd.	100	
2	Jiaxing City Construction Real Estate Development Co., Ltd.		100
3	Jiaxing Jiacheng Huanyi Property Management Co. Ltd.		100
4	Jiaxing City Village Catering Co., Ltd.		100
5	Jiaxing Jiacheng Construction Development Co., Ltd.		100
6	Jiaxing City River Inn Co. Ltd.		100
7	Jiaxing Yintai Meiwan Xintiandi Investment Management Co., Ltd.		100
8	Jiaxing Nanhu Scenic Spot Development Co., Ltd.	100	
9	Jiaxing City Yingzhou Ancient Garden Construction Co. Ltd.		100
10	Jiaxing housing levy Service Center	100	
11	Jiaxing Jiacheng Housing Demolition Co., Ltd.	100	
12	Jiaxing Nanhu Construction Development General Corporation	100	
13	Real Estate Jiaxing central construction and development company	100	
14	Old city renewal headquarters	100	
15	Jiaxing City Development Office	100	
16	Jiaxing silver land new rural development Investment Co., Ltd.	100	
17	Jiaxing Nanhu Traffic Construction Investment Co., Ltd.	100	
18	Willow Bay farmers' market	100	
19	Jiaxing Tourism Development Co., Ltd.	100	
20	Jiaxing Natural Gas Pipe and Mesh Construction Management Co., Ltd.	100	
21	Jiaxing Shalong International Hotel Co., Ltd.		75.32
22	Jiaxing Xiuyuan water Investment Group Co., Ltd.	100	

Serial No.	Company Name	Proportion of ownership interest	
		Directly (%)	Indirectly (%)
23	Jiaxing Xiuzhou District sewage treatment Co., Ltd.		100
24	Jiaxing Xiuzhou District Jie Feng Emissions Trading Service Co. Ltd.		100
25	Jiaxing Xiu Yuan tap water operation management Co., Ltd.		100
26	Jiaxing Xiu Yuan dredging Co., Ltd.		100
27	Jiaxing Xiuzhou District Security Service Co., Ltd.		100
28	Jiaxing Xiuzhou District Jie Feng Emissions Trading Service Co. Ltd.		100
29	Jiaxing nanhu hongyuan cultural development co. Ltd.		100

The specific circumstances of the above-mentioned subsidiaries are detailed in the notes to this financial statement "VI、Equity in other entities".

2.2 The change of the scope of consolidation

The newly incorporated subsidiaries during the reporting period are as follows:

No.	Name of Subsidiaries	The reason of incorporation
1	Jiaxing nanhu hongyuan cultural development Co. Ltd	Wholly-owned subsidiary

The added and reduced subsidiaries of the current period are detailed in the notes to this financial statement "V、Implication of changes of consolidation scope".

Note 2. Basis of preparation of the financial statements

2.1 Basis of preparation

Based on going concern, according to actual occurred transactions and events, the Company prepares its financial statements in accordance with the Accounting Standards for Business Enterprises – Basic Standards and concrete accounting standards, Accounting Standards for Business Enterprises – Application Guidelines, Accounting Standards for Business Enterprises – Interpretations and other relevant provisions (collectively known as "Accounting Standards for Business Enterprises, issued by Ministry of Finance of PRC"), as well as the disclosure requirements of Regulation on the Preparation of Information Disclosure of Companies Issuing Public Shares No.15 - General Requirements for Financial Reports (as revised in 2014) by the China Securities Regulatory Commission.

2.2 Going Concern

The Company is currently operating normal, and has the capacity to continually operate in the next twelve months from the end of the reporting period.

Note 3. Significant accounting policies and accounting estimates

The following Company's significant accounting policies and accounting estimates were made in accordance with the ASBE. For businesses not mentioned, the adoption of such policies and estimates were subject to the relevant accounting policies under the ASBE.

3.1 Statement of Compliance with the ASBE

The financial statements for the year ended 30 June 2017 prepared by the Company are in compliance with the requirements of the ASBE, which truly and completely reflect the Company's financial position, operation performance, movement in equity, cash flow and other relevant information for Six months ended 30 June 2017.

3.2 Accounting period

The accounting year is from January 1 to December 31 in calendar year.

3.3 Operating cycle

The operating cycle of the Company is one year.

3.4 Functional currency

The functional currency of the Company is CNY.

3.5 The accounting treatment of business combinations under and not under common control

(a) Business combinations under common control

The assets and liabilities acquired by the Company in a business combination are measured at the carrying amount as of the merger date as reflected in the consolidated financial statements of the merged entities. Where the accounting policies adopted by the merged entities are different from those of the Company, they are changed to consistent with those of the Company based on materiality. The acquired assets and liabilities carrying value should be adjusted in line with the policies of the Company. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to offset the difference, the remaining balance is adjusted against the surplus reserve first and then the retained earnings.

(b) Business combinations not under common control

The identifiable assets and liabilities obtained by the Company in a business combination are measured at fair value at the acquisition date. Where the accounting policies adopted by the acquired entities are different from those of the Company before the acquisition, the accounting policies were applied consistently based on materiality. Adjustments should be made to the carrying value of the acquired company's assets and liabilities based on the Company's accounting policies. Where the consideration of the combination exceeds the Company's interest in the fair value of the acquired entities identifiable net assets, the difference is recognized as goodwill; where the consideration of combination is lower than the acquired entities interest in the fair value of the acquired entities' identifiable net assets, the consideration of the acquisition as well as the fair value of the acquired company's identifiable net assets and liabilities are re-examined. Where, after the aforesaid re-examination, it is found that the consideration of the acquisition is still lower than the fair value of the acquired company's identifiable net assets and liabilities, the difference is recognized in profit or loss.

3.6 Preparation of consolidated financial statements

(a) Basis of consolidation

The consolidated financial statements have been prepared based on the basis of control and they include the financial statements of the Company and the subsidiaries not only including the subsidiaries with voting rights (or similar voting rights) or which are determined by the other combined arrangements, but also including structured entities, which are determined by one or more contract arrangements.

“Control” means the power of the Company over the investee and entitlement of the Company to the variable return by taking part in the related activities of the investee and capability of influencing the amount of money return by exercising the power on the investee. “Subsidiaries” refers to the entities controlled by the Company (including enterprises, the separate parts of the investee and structured entities controlled by the Company. “Structured entities” refers to the entities established specially when the controlling cannot be decided by voting right or similar right (Note: Sometimes refer to as special purpose entity).

(b) The method of preparing for the consolidated financial statements

The preparation of the consolidated financial statements is based on the Company’s own financial statements and those of its various subsidiaries and other relevant information.

In preparing the consolidated financial statements, the whole group was treated as one single accounting unit. Based on the relevant recognition, measurement and disclosure requirements under the ASBE, the Company used the consistent accounting policies to reflect the financial position, operation performance and cash flow of the group companies as a whole.

①Assets, liabilities, equity, revenues, expenses and cash flows of the Company and subsidiaries are consolidated.

② The Company’s long term equity investment and ownership interest in subsidiaries are eliminated.

③Inter-company transactions between the Company and subsidiaries and those between subsidiaries are eliminated. Where impairment loss occurs to certain assets as a consequence of internal transaction, such loss is accounted for in full amount.

④Exceptional transactions are adjusted based on the group’s point of view.

(c) Addition/disposal of subsidiaries during the reporting period

①Addition of subsidiaries or businesses

A. Addition for business combination under common control

(a) The beginning balances are adjusted and consolidated in preparation of the consolidated balance sheets, and at the same time the consolidated reports are adjusted after comparing related items of statements, as if the combined reporting entity has been existed from the point when the acquirer starts to control the investee.

(b) The revenues, expenses and profits of the subsidiaries and businesses for the period from the beginning of the combination to current period are consolidated in the consolidated profit statement and some relevant items are adjusted after comparing the statements, as if the combined reporting entity has been existed from the point when the acquirer starts to control the investee.

(c) The cash flows of the subsidiaries and businesses for the period from the beginning of the combination to current period are consolidated in the consolidated cash flow and the relevant items are adjusted after comparing the statements, as if the combined reporting entity has been existed from the point when the acquirer starts to control the investee.

B. Addition for business combination not under common control

(a) The beginning balance of the consolidated balance sheet is not adjusted in preparing the consolidated balance sheet.

(b) The revenues, expenses and profits of the subsidiaries and businesses for the period from the purchase date to the end of reporting period are consolidated in preparing the consolidated profit statement.

(c) The cash flows of the subsidiaries and businesses for the period from purchase date to end of reporting period are consolidated in preparing the consolidated cash flow statement.

②Disposal of subsidiaries or businesses

A. The beginning balance of the consolidated balance sheet is not adjusted in preparing the consolidated balance sheet.

B. The revenues, expenses and profits of the subsidiaries and businesses for the period from commencement of reporting period to disposal date are consolidated in preparing the consolidated profit statement.

C.The cash flows of the subsidiaries and businesses for the period from commencement of reporting period to disposal date are consolidated in preparing the consolidated cash flow statement.

(d) Special consideration in consolidation offset

①The Company holds a long-term equity investment of the Company, it shall be regarded as the Company's stock shares, equity as a deduction in the consolidated balance sheet equity project to "reduce: inventory stock" items.

Long-term equity investments in subsidiaries held by each other, according to offset methods of the Company's equity investment, will enjoy subsidiary equity long-term equity investment in corresponding share mutual offset.

②The "special reserve" and "general risk reserve", because the project does not belong to the paid in capital (or share capital), capital surplus, retained earnings, is also different with the undistributed profits, in the offset between the rights and interests of the long-term equity investment and the subsidiary's owner, according to all those attributable to the Company's share to be restored.

③Due to offsetting unrealized sales income in the consolidated balance sheet assets, the book value of liabilities between the taxpayer's tax basis generated temporary differences, the recognition of deferred tax assets and deferred tax liabilities in the consolidated balance sheets, the adjustment of the consolidated income statement of income tax expense at the same time. But except for deferred income tax related to transactions or transactions directly included in the owner's equity and business combinations.

④Any unrealized gains or losses arising from the sale of assets to a subsidiary of the Company shall be offset in full by the "net profit attributable to the owners of the Company". A subsidiary of the sale of the Company did not achieve the insider trading profits of assets, the Company should be in accordance with the distribution of net profit between the proportion of the subsidiaries in the "attributable to owners of the Company and the minority shareholders profit distribution offset. Between the subsidiaries sell unrealized insider trading profits by assets, should be in accordance with the Company net profit ratio on the sale of prescription in the Company "attributable to owners of the Company and the minority shareholders profit distribution offset.

⑤If the current losses shared by the minority shareholders of a subsidiary company exceed the share enjoyed by a minority shareholder at the beginning of the subsidiary's equity, the balance shall still offset the minority shareholders' interests.

(e) Special accounting transaction

①Buying minority shareholders' equity

The Company purchases the share right of the subsidiary company owned by the minority shareholder of the subsidiary company, and in the individual financial statement, the investment cost of the newly acquired long-term equity investment shall be measured in accordance with the fair value of the paid consideration. In the consolidated financial statements, because of long-term equity investment, the purchase of minority interest made in accordance with the new shareholding ratio calculation should enjoy the subsidiary on or between the merger date start buying continuously calculated share of net assets of the difference, should adjust the capital surplus (capital premium or share premium), the capital reserve is insufficient to offset, in turn red reducing the surplus reserve and undistributed profit.

②Obtaining control of subsidiaries through multiple transactions

A. through multiple transactions, step by step to achieve the same control under the merger

In the case of "package deal", the Company deals with transactions as a control of the subsidiaries. In the individual financial statements, in each transaction before the merger, the equity investment are recognized as the net assets of the merged party to determine the final control share book value of the consolidated financial statements of the parties on the long-term equity investment and the initial investment cost calculation according to the proportion of the initial cost of the long-term equity investment, and payment the difference between the book value of the price adjustment of capital surplus (capital premium), capital surplus (capital premium) is not enough to offset, in order to offset the surplus reserve and undistributed profit. In subsequent measurement, long-term equity investments are accounted for in the cost approach, but they do not involve the preparation of consolidated financial statements. On the date of merger, long-term equity investment, the initial cost of the Company's subsidiaries according to the calculation of the cumulative shareholding ratio of the net assets of the merged party to determine the final control share book value of the consolidated financial statements of the parties, the initial investment cost and achieve before the merger of the long-term stock right investment book value plus the combination date for further new shares pay the difference between the book value of the consideration and the adjustment of capital surplus (capital premium), capital surplus (capital premium) is not enough to offset, in order to offset the surplus reserve and undistributed profit. At the same time, the consolidated financial statements of the merger date shall be prepared, and the Company shall, in the consolidated financial statements, be deemed to be in the current state of existence when the parties at the final control begin to take control.

The terms, conditions, and economic effects of each transaction correspond to one or more of the following situations, and transactions are often treated as a "package deal":

(a) These transactions were made at the same time or in consideration of each other's effects.

(b) These transactions can achieve a complete business outcome as a whole.

(c) The occurrence of a transaction depends on the occurrence of at least one other transaction.

(d) A transaction is considered uneconomical when considered separately, but it is economic when considered in conjunction with other transactions.

Do not belong to the "package deal", in each transaction before the merger, each transaction occurred of the Company's financial assets according to the fair value of the consideration payment confirmation (at fair value through profit or loss of financial assets or financial assets available for sale) or in accordance with the equity method of accounting for long-term equity the investment. On the date of merger, the Company in the individual financial statements, according to the net assets after the merger should have subsidiaries in ultimate control of the book value of the consolidated financial statements of the party's share, to determine the initial cost of a long-term equity investment of the. With on the initial cost of a long-term equity investment, and reached before the merger of the book value of long-term equity investments and with further payments made for new shares on the price of the book value and the adjustment of capital surplus (capital premium), the capital reserve is insufficient to offset, in order to offset the surplus reserve and undistributed profit.

The Company in the consolidated financial statements, as the parties involved in the merger in the ultimate controlling party began to control is to present state of existence is adjusted in the consolidated financial statements, in order to control not earlier than the combined party and the merged party in the ultimate controlling party of the time limit, the comparative statement of assets and liabilities the merged party is incorporated into the merger of the consolidated financial statements, the net assets and increasing merger adjustments related to equity items under the comparative statements. Because of the combined party capital surplus (capital premium) the balance of the merged party before the merger, the retained earnings attributable to the combined party not to be a full recovery in the consolidated financial statements, the Company notes in the report on the situation described, including by the combined amount in the amount of retained earnings before the merger, the attributable to the Company's capital reserve and because of lack of balance in the consolidated balance sheets without the amount of retained earnings.

The merging party in control of the merged party before the holdings of equity investment and accounting by the equity method, in the original equity day and the merger of the merged party and the same in the same day or between the final control late date to the date of merger has confirmed the related changes in profit and loss and other comprehensive income and other owners right, should be deducted respectively during the comparison report at the beginning of the period of retained earnings.

B. Through multiple transactions, step by step to achieve the merger under different control

In the case of "package deal", the Company deals with transactions as a control of the subsidiaries. In individual financial statements, equity investments are recognised as long-term equity investments in each transaction prior to the date of incorporation, and their initial investment costs are determined in accordance with the fair value of the paid consideration. In subsequent measurement, long-term equity investments are accounted for in the cost approach, but they do not involve the preparation of consolidated financial statements. On the date of merger, the individual financial statements, in accordance with the book value of the long-term equity investment held with new investment costs (further acquisition of shares paid by the fair value of the consideration) and, as a merger, the initial cost of a long-term equity investment. In the consolidated financial statements, the initial cost of investment is offset by the share of the fair value of the identifiable assets of the subsidiary company, and the difference is recognised as goodwill or included in the current profits and losses of the merger.

Do not belong to the "package deal", in each transaction before the merger, each transaction by investors for financial assets according to the fair value of the consideration payment confirmation (at fair value through profit or loss of financial assets or financial assets available for sale) or in accordance with the equity method of accounting for long-term equity the investment. On the date of merger, the individual financial statements, in accordance with the original holdings of equity investment (financial assets or long-term equity investment according to the equity method of Accounting) the book value plus the new investment cost, as the initial cost of investment according to the cost accounting method of long-term equity. In the consolidated financial statements, for the purchase date held by buyer's equity, re measured at fair value of the equity in the date of purchase, the fair value of the difference between the book value and included in the current investment income; the purchase date held before the acquiree equity relates to the equity method of accounting under the other comprehensive income etc., associated with other comprehensive income, to purchase on the current income, but because of other comprehensive income except the merged party re measurement of defined benefit plan assets or liabilities arising from changes in the net.

The Company discloses in its notes the amount of the gains or losses arising from the fair value of the buyer's shares held on the date of purchase and the re measurement thereof at fair value.

③The Company handles long-term equity investments in subsidiaries, but does not lose control

A long-term equity investment in the Company does not lose control of the situation of disposal of the subsidiary, the consolidated financial statements, the disposal cost and the disposal of long-term equity investments relative should enjoy subsidiary differences between day or date of merger purchase continued to calculate the share of net assets, adjust capital surplus (capital premium), capital reserve not enough to offset, the retained earnings adjustment.

④The Company dispose of long-term equity investment in subsidiaries and lose control

A. One deal disposition

The Company was part of the investment equity disposal lost control of the investment side, in the consolidated financial statements, the remaining equity, according to the re measurement of fair value at the date of losing control. The price of the disposal of equity and the remaining equity and fair value, minus the shareholding ratio is calculated according to the original should enjoy the original subsidiary between net assets or merge, buy continued to calculate the share of the difference in loss of control of the current investment returns, and decreasing the goodwill (Note: if the original enterprise merger not under the same control and goodwill). Any other comprehensive income related to the equity investment of the original subsidiary company shall be converted into the current investment income after the loss of control.

In addition, other comprehensive income and other changes in owner's equity relating to the equity investments of the atomic company shall be transferred to the current profits and losses at the time of loss of control, except any other comprehensive income arising from changes in the beneficial plan, net liabilities or net assets due to the re measurement by the investor.

B. Multiple transactions, step by step processing

In a consolidated financial statement, it should first determine whether a step transaction is a "package deal".

If the step transaction does not belong to the "package deal", in the loss of subsidiaries the transaction control before, shall be dealt with according to "the relevant provisions of the long-term equity investment of the Company disposal of the subsidiary without loss of control".

If the transaction is a step by step "package deal", should be the transaction as a disposal of subsidiaries and lost control of the transaction accounting; among them, before losing control for each transaction, the disposal and disposal of the corresponding investment price difference enjoys the subsidiary share of net assets in the consolidated financial statements. It should be recognized as other comprehensive income, the loss of control over the loss of profit and loss together into the control of current.

⑤The proportion of equity owned by the Company is diluted by the increase of the minority shareholders' capital

Other shareholders of the subsidiary company (minority shareholders) increase their capital to the subsidiary company, thus diluting the proportion of the shares of the Company to the Company. In the consolidated financial statements, in accordance with the proportion of equity capital before the Company calculates it in the former capital subsidiary of the carrying amount of the net assets of the share, the share of capital calculated in accordance with the proportion of shares between the Company subsidiary book net assets share in the capital after adjust the balance of capital reserves (capital, capital surplus (premium) capital premium) is not enough to offset, the retained earnings adjustment.

3.7 Joint venture arrangement, classification and joint operating accounting

A joint arrangement is an arrangement of which two or more parties have joint control.

(a) Classification of joint arrangements

"Joint operation" means the joint venture arranged by the Company to enjoy the relevant assets of the arrangement and bear the relevant liabilities of the arrangement.

The Company confirms the following items relating to the share of interests in the joint venture, and handles the accounting in accordance with the relevant accounting standards:

①Recognize the assets held separately and determine the assets held jointly by their shares;

②Recognizing the individual liabilities and the common liabilities recognized by their shares;

③Recognition of the revenue generated by the sale of the share of its joint operating output;

④Share the revenue derived from the sale of the shares for joint operation;

⑤To confirm the costs incurred separately, and to confirm the expenses incurred by the joint venture by its share.

(b) Accounting treatment by parties to a joint operation

"Joint venture" means the joint venture arranged by the Company only with the right to the net assets of the said arrangement.

The Company shall handle the investment in the joint venture in accordance with the provisions of the relevant equity method for long-term equity investment.

3.8 Monetary Assets

Cash refers to cash on hand and savings that can be readily used for payment. Cash equivalent refers to short term (generally not longer than three months) and easily convertible investment instruments with strong liquidity and small risk in value change.

3.9 Foreign currency transactions and the foreign currency translation of financial statements

(a) Exchange rates used in foreign currency transactions

Foreign currency transactions of the Company are translated into functional currency using the exchange rates rates or approximate exchange rates prevailing at the date of the transactions for initial recognition.

(b) Translation of foreign currency monetary items at balance sheet date

Foreign currency monetary items are translated at the exchange rates at the balance sheet date. Exchange difference resulting from the difference of the exchange rates at balance sheet date and the initial recognition date or previous balance sheet date is recognized in profit or loss.

(c) Translation of financial statements in foreign currency

Before the translation of financial statements from overseas operations, the accounting period and policies for such overseas operations are adjusted in line with the Company’s accounting period and policies, and then the financial statements of the overseas operations are prepared in related currency (other than functional currency) based on the adjusted accounting policies and period, and the financial statements for such overseas operations are translated with the following methods.

①Assets and liabilities items at balance sheet date are translated at the exchange rates at the balance sheet date; equity items other than “retained earning” are translated at the exchange rates prevailing on the transaction dates.

②Revenues and expenses items on profit statement are translated at the exchange rates or an approximate exchange rates prevailing on the transaction dates.

③The differences arising from translation of financial statements in foreign currency are recognized separately in the owners’ equity as other comprehensive income in the consolidated balance sheet.

④The cash flows in foreign currency and of overseas operations are translated at the exchange rates or approximate exchange rates prevailing on the dates of the cash flows. The effect of exchange rate changes on cash flow is recognized separately in the cash flow statement as an adjustment item.

3.10 Financial instruments

(a) Classification of financial assets

①Financial assets measured at fair value through profit or loss

Financial assets include financial assets held-for-trading and those designated as at fair value through profit or loss on initial recognition. The financial assets held-for-trading refer to shares, bonds and fund investment that the Company holds for short term trading and derivatives for purposes other than hedging. For initial recognition, held-for-trading assets are recognized at fair value, with transaction cost recognized immediately in profit or loss. Where the amount paid for such assets includes those announced but undistributed cash dividend or due but undistributed bond interest, such dividend and interest are recognized separately as receivables. The interest or cash dividend earned during the period of holding are recognized as investment income. At the balance sheet date, financial assets held for trading are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. Upon disposal, the difference between fair value and initial amount is recognized as investment income, and the gain or loss on fair value changed at the same time is adjusted.

②Held-to-maturity investment

Held-to-maturity investments are national bonds and company bonds etc with fixed maturity and fixed or determinable payments that management has the clear intention and ability to hold to maturity. Such financial assets are measured at fair value plus transaction cost at initial recognition. Where the amount paid for such assets includes due but undistributed bond interest, such interest is recognized separately as receivables. The interest for held-to-maturity investment during period of holding is calculated based on amortized cost and actual interest rates and recognized as investment income. Upon disposal of held-to-maturity investment, the difference between the amount received and the carrying value of such investment is recognized as investment income.

③Receivables

Receivables mainly include accounts receivable and other receivables. Accounts receivable arising from sale of goods or rendering of services are initially recognized based on contract price or negotiated price with the buyer.

④Available-for-sale financial assets

Available-for-sale financial assets mainly refer to assets of the Company other than financial assets measured at fair value with changes recognized in profit or loss, held-to-maturity investment, loans or receivables. For initial recognition, available-for-sale financial assets are recognized at fair value plus transaction cost. Where the amount paid for such assets includes announced but undistributed cash dividend or due but undistributed bond interest, such dividend and interest are recognized separately as receivables. Accrual of interest and cash dividend earned from such assets are recognized as investment income.

Where available-for-sale financial assets are foreign currency monetary assets, exchange gains and losses are recognized in profit or loss. Interest from available-for-sale debt instruments, measured by actual interest rate method, is recognized in profit or loss, cash dividend earned from these assets is recognized in profit or loss when the investee announces the dividend. At balance sheet date, available-for-sale financial assets are measured at fair value with changes recognized in other comprehensive income. Upon disposal, difference between the amount received and the carrying value is recognized in investment income while the original accumulated amount of changes in fair value recognized in owners' equity corresponding to the disposal is transferred out and recognized as investment income.

(b) Classification of financial liabilities

①Financial liabilities measured at fair value and with changes recognized in profit or loss include financial liabilities held for trading and designated financial liabilities measured at fair value and with changes recognized in profit or loss. For initial recognition, such financial assets are recognized at fair value, with transaction cost involved directly recognized in profit or loss. At balance sheet date, the changes of fair value are recognized in profit or loss.

②Other financial liabilities refer to financial liabilities other than financial liabilities measured at fair value and with changes recognized in profit or loss.

(c) Reclassification of financial assets

Where change of the Company's intention or capability makes it no longer appropriate to classify a certain investment as held-to-maturity investment, the Company will reclassify the investment as available-for-sale financial assets and measure it at fair value. Where the disposal portion for the held-to-maturity investment and the reclassification amount is significant, and not belong to section XIV of ASBE NO.22 – Recognition and Measurement of Financial Instruments, the remaining part of the investment is not appropriate to be classified as held-to-maturity investment; instead the Company will reclassify the remaining as available-for-sale financial assets and are subsequently measured at fair value. But, they will not be reclassified to held-to-maturity investment again in the current accounting period and in the next two complete accounting periods.

At date of reclassification, the difference between the carrying value and fair value of the investment is recognized in other comprehensive income. When there is impairment on the available-for-sale financial assets or derecognition on such assets, the difference is transferred out and recognized in profit or loss.

(d) Differentiation between financial liabilities and equity instruments

Apart from some exceptions, financial liabilities and equity instruments are differentiated based on the following principles:

①If the Company cannot unconditionally avoid the delivery of cash or other financial assets to fulfill a contractual obligation, the contractual obligations are in line with the definition of financial liabilities. Some financial instruments do not state clearly the terms and conditions of the delivery of for cash or other financial obligations, but it is possible to form contractual obligations indirectly through other terms and conditions.

②If a financial instrument has to or may be settled with the Company's own equity instruments, there is a need to be considered for settlement of the Company's own equity instruments, as for cash or other financial assets or substitute, or for the instrument holder to enjoy residual interest after deduction of all liabilities by the issuer. If it is the former, the instrument is the issuer's financial liability; if it is the latter, the instrument is the issuer's equity instruments. Under certain circumstances, certain financial instrument contracts stipulate that the Company must or may use her own equity instrument to settle the financial instrument, where the amount of the contract rights or contractual obligations is equal to the amount by multiplying the number of company's own equity instruments by the fair value at the time of settlement, regardless of whether the contract rights or obligations is fixed, or completely or partially vary based on variable in addition to the Company's own equity instruments (such as interest rates, the market price of a commodity price or a financial instrument prices), the contract is reclassified as financial liabilities.

(e) Transfer of financial assets

The transfer of financial assets refers to the following two situations:

A.The transfer of contractual rights of the cash flow of the financial asset to the other party;

B. The whole or part of the financial asset is transferred to the other party, but the contractual right to receive the cash flow of the financial asset is reserved, and undertake the contractual obligation to pay the received cash flow to one or more recipients.

①Derecognizing the transferred financial assets

Where almost all risks and rewards of a financial asset is transferred to transferee or neither transferring the asset nor reserving almost all risks and rewards over the asset ownership but the Company gives up its control of a financial asset, such financial asset is derecognized.

The judgment of whether giving up control of a transferred financial asset is focused on transferee's ability to transfer the financial asset. If the transferee is able to separately sell the entire transferred financial asset to an independent third party, and without additional conditions to limit the sale, it shows that the enterprise give ups control of the financial asset.

The Company access the substance of the financial assets transferred to determine whether the transfer of financial assets has satisfied the derecognition requirements. When the transfer of financial assets as a whole satisfy the derecognition requirements, the difference between the following two amounts is recognized in profits or losses.

A. The carrying value of the transferred financial assets;

B. The sum of amount received in consideration of the transfer plus the accumulated amount of fair value change originally recognized in owner equity (where transferred financial assets are available-for-sale financial assets).

Where part of a financial asset is transferred and satisfied with the derecognition criteria, the carrying value of the entire financial asset between the derecognized part and the recognized part (the retained service assets are deemed as part of the remaining non-derecognized financial assets) is split in proportion to their respective fair value and the difference between the two parts is recognized in profit or loss:

A. The carrying value of the derecognized part;

B. The sum of the amount of the derecognized part plus the accumulated amount of fair value change originally recorded in owner' equity relating to the amount of the derecognized part (where the transferred financial assets are available-for-sale financial assets).

②Continuous involvement in the transferred financial asset

Where the Company neither transfers nor retains almost all risks and rewards over the ownership of the financial assets and retains control of it, such financial assets are recognized according to the degree of the Company's continuous involvement in the transferred financial asset, and recognize the related liabilities.

The degree of the continuous involvement in the transferred financial asset is the level of risks due to the changes of this financial asset's value exposing to the Company.

③ Continuous recognition of the transferred financial asset

Where the Company retains almost all the risks and rewards over the ownership of a transferred financial asset, the recognition of the whole transferred financial asset continues and the amount received in consideration of the transfer is recognized as a financial liability.

The financial asset cannot offset the recognized financial liability. During the subsequent accounting period, the Company will continue the recognition of the income generated from such financial asset and expenses arising out of such financial liability. Where the transferred financial asset is measured by amortized cost, the recognized liability cannot be designated as “financial liability measured at fair value and with changes in fair value recognize in profit or loss.

(f) Derecognition of financial liabilities

Where current obligations over a financial liability have been released in part or in full, the financial liability is derecognized in part or in full correspondingly.

Where an asset with payment obligation has been transferred to another organization or set up a trust, the financial liability or transferred asset will not be derecognized as long as the payment obligation remains.

Where a contract is signed with creditor to replace the previous financial liability with a new one, the previous financial liability will be derecognized and the new one is recognized at the same time provided the new contract terms differ from the previous one substantially.

Where all or part of the contract terms about an existing financial liability are modified, the financial liability in part of in full is derecognized and the financial liability is recognized under the modified contract terms as a new financial liability.

Where a financial liability is derecognized in part or in full, the difference between the carrying value of the derecognized part and the amount paid (including the transferred non-cash assets and new financial liabilities undertaken) is recognized in profit or loss.

(g) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are separately disclosed on the balance sheet and they do not offset each other. In the following circumstances, however, the net amount after offsetting each other is disclosed on the balance sheet:

Company has legal right to offset the recognized amount and the legal right is currently operative; and the Company settles with net amount or sells the financial asset and pays off the financial liability at the same time.

Where a transferred financial asset does not meet the requirements of derecognition, the transferor cannot offset the transferred financial asset and the liability with each other.

(h) Financial asset impairment test and impairment provision

(1) In the following circumstances, when there is evidence to show impairment of a financial asset, the impairment provision is provided:

①Bond issuer or debtor is in serious financial difficulty;

②Debtor violates the contract terms, e.g., defaulting on payment of interest or principle or failing to pay interest or principle on schedule;

③Creditor makes a concession to debtor with financial difficulty in consideration of the economic or legal issues;

④Debtor might go bankrupt or arranging other debt restructuring ;

⑤Significant financial difficulty of issuer makes it impossible to trade financial assets on active market;

⑥There's no way to identify whether the cash flow of an financial asset in a group has been reduced or not, but an overall assessment with the public data confirms that the estimated future cash flow of the financial assets has been reduced and can be measured since the initial recognition of this group of financial assets;

⑦Material adverse changes in the technical, market, economic or legal environment of the debtor's operations make it hard for equity investors to recover their investment cost;

⑧The fair value of equity investment instrument decreases seriously or has witnessed long period decline;

⑨Other evidences showing the impairment of financial assets are found.

(2) Impairment test of financial assets (excluding receivables)

A. Held to maturity investment impairment test

The held to maturity investment is impaired, the carrying value of the held to maturity investment is reduced to the expected future cash flow (not including yet to happen in the future credit losses) value, the reduced amount is recognized as impairment loss in the current profits and losses.

The present value of future cash flows is expected to be discounted at the original effective interest rate of the held to maturity investment, and the value of the relevant collateral shall be taken into consideration (the expenses for the acquisition and sale of the collateral will be deducted). The original effective interest rate is the actual interest rate computed at the initial recognition of the held to maturity investment. When the floating interest rate is held to maturity, the current real interest rate stipulated in the contract can be used as the discount rate when calculating the present value of the future cash flow.

Even if the terms of the contract because of debt or financial assets issued financial difficulties and to agree or modify, in recognition of impairment losses, still modify the terms of the original actual interest rate of the financial assets are calculated.

The held to maturity investment impairment loss, if there is objective evidence that the held to maturity investment value has been restored, and the objective and that the loss occurred related matters (such as the debtor's credit rating has improved, etc.), the previously recognised impairment losses shall be reversed and included in the current profits and losses.

After the impairment of the investment held to maturity, the interest income is discounted according to the determination of the impairment loss, and the discount rate is calculated as the interest rate.

B. Impairment test of available for sale financial assets

In the balance sheet, the Japanese company analyzes the impairment of the available for sale financial assets to determine whether the fair value of the financial asset has continued to decline. Normally, if the financial assets available for sale of fair value relative to the cost of decline has reached or exceeded 50%, or falling time has been reached or exceeded 12 months, with consideration of all relevant factors, expected this downward trend is non-temporary, can determine the available for sale financial assets have been the impairment, impairment losses. In the event of any impairment of the available for sale financial assets, the accumulated losses of the original fair value falling directly into the owner's equity shall be turned out in the event of the recognition of the impairment loss, and shall be included in the impairment loss of the assets.

Whether or not any of the available debt instruments or financial assets is impaired may be analysed by reference to the aforesaid investment instruments available for sale.

Impairment losses arising from investments in available equity instruments may not be reversed by profit or loss.

For sale of debt instruments, after the impairment of the financial assets, the interest income shall be discounted against the future cash flow in accordance with the determined impairment loss, and the discount rate shall be calculated as the interest rate.

For recognized impairment losses on available for sale debt instruments, in the subsequent accounting period, the fair value has risen and objectively related to events that occur after the impairment losses were recognised, the previously recognised impairment losses shall be reversed and included in the current profits and losses.

(i) Method for determining the fair value of financial assets and financial liabilities

The Company's fair value of the relevant assets or liabilities is measured at the price of the main market, if such main market does not exist, the fair value of the relevant assets or liabilities will be measured at the most favorable market price.

The main market refers to the largest and most active market of the related assets or liabilities; The most favorable market refers to a market that is able to sell the related assets at the highest amount or transfer the relevant liabilities at the minimum amount after consideration of transaction costs and transportation costs. The Company takes the same assumption as market participants in the pricing of the asset or liability in order to maximize the economic benefits.

①Valuation techniques

The Company uses applicable valuation techniques with sufficient available data and other information. The valuation techniques used mainly include the market approach, the income approach, and the cost approach. The Company uses one or more consistent approach to determine the fair value. If a variety of valuation techniques are used to measure fair value, the rationality of the valuation results will be considered and, the most appropriate one to represent the fair value in the current circumstances will be selected.

In the application of valuation techniques, the relevant observable input values will be used first. Only when the observable input values cannot be obtained or not practical to get, then to use the unobservable input values. Observable input value refers to data that can be obtained from market. Unobservable input value refers to the data that cannot be obtained from the market. The input value is obtained based on the assumption that the market participants are using the best information for valuation of the relevant assets or liabilities.

②Fair Value Hierarchy

The Company divides the input value used for measuring fair value into three levels: level 1, level 2 and level 3. Input value of level 1 is used firstly, level 2 is used secondly, and level 3 is used finally. Level 1 input value refers to the unadjusted price for the same kind of assets or liabilities obtained on an active market on the measurement day. Level 2 input value refers to directly or indirectly observable value about the assets or liabilities other than level 1 value. Level 3 input value refers to unobservable value about the assets or liabilities.

3.11 Receivables

At the balance sheet date, the carrying value of the receivable is assess for impairment, when there is objective evidence that it is impaired, provision for impairment is made.

(a) Receivables with a single significant amount receivables with separate bad debt provision

The amount of accounts receivable over CNY1 million yuan (inclusive) or above is recognized by the Company as an individual amount of major receivables, other receivables of CNY5 million yuan (inclusive) or above are recognized by the Company as an individual amount of other receivables.

Standard of single significant amount: Any single sum amount over CNY10 million yuan is regarded as a significantly large single amount. Bad debt provision approach for significantly large single amount: receivables of significantly large single amount are subject to separate impairment test. Where impairment evidence is found, the difference between the present value of its future cash flow and its carrying value is recognized as impairment loss and used as the basis for bad debt provision.

The expected future cash flows of short-term receivables are very small compared with their present values, and the estimated future cash flows may not be discounted when determining the relevant impairment losses.

(b) Accounts receivable with provision for bad debts recognized on the basis of similar credit risk characteristics

Determine the basis of the combination:

Combination 1: Related partys and government combinations that do not generate bad debt risk，not to be extracted Impairment provision.

Combination 2：Accounts receivable except of combination1.

The method of extracting impairment provision for bad debts according to combination 2：Percentage of balance method.

Percentage balance method to extracte bad debt reserves

Portfolio	Proportion of provision for accounts receivable	Proportion of provision for other receivables
Combination 2	6.00	6.00

(c) Receivables with a single insignificant amount but with a separate bad debt provision

For receivables of single insignificant amount and with evidence of impairment, bad debt provision calculation based on age analysis cannot reflect the truth, the Company will separately perform impairment tests for such receivable, and the difference between the current value of its future cash flow and its carrying value is recognized as impairment loss and the bad debt provision is made accordingly.

3.12 Inventory

(a) Classification of inventory

Inventories are classified into raw materials, goods in transit, work in progress, finished goods, consigned processing materials, and low-value consumables, etc.

(b) Measurement method of dispatched inventory

The dispatched inventory is measured by weighted average method.

(c) Inventory system

The perpetual inventory system is adopted.

(d) Provision method for diminution in values of inventory

At the balance sheet date, the inventory is measured at the lower of cost and net realizable value, the part that the inventory cost is exceeding the net realizable value is recognized as provision for inventory and is recognized in profit or loss.

Net realizable value of inventory is determined based on the reliable evidence and factors such as the purpose of keeping inventory and influence of events after balance sheet date.

① Under normal operation condition, finished goods, commodities and available-for-sale materials are based on estimated selling price minus estimated selling and tax cost as net realizable value. For inventory held for sales or service contracts, contract price is used as the basis for measuring their net realizable value; if inventory on hand is more than the quantity of purchase order, the net realizable value in excess is measured based on general selling price. For available-for-sale materials, market price is used as the basis for measurement of net realizable value.

②For raw materials to be processed, under normal operation condition, the estimated selling price of finished goods produced from such raw materials minus estimated construction cost upon completion and selling and tax cost is recognized as net realizable value. If net realizable value of the finished goods is higher than cost, the materials are measured by cost; if, due to price fall, the net realizable value of finished goods is lower than cost, the materials are measured by net realizable value and the difference between the two is used as the basis for provision for obsolescence.

③Provision for obsolete stock is made by individual item; for inventory involving a great quantity and low unit price, provision is made by types of inventory.

④ If factors for inventory provision are gone at balance sheet date, the provided amount will be restored and reversed from the previous provision for inventory , the reversed amount is recognized in profit or loss.

(e) Method of amortization of revolving material

①The amortization method of low value and consumable goods: the primary transfer method is adopted when the utility model is used.

②The amortization method of package: when using, it adopts one turn.

3.13 Classified as the assets held for sale

The Company will recognize the combination parts of the enterprise (or non-current assets) which simultaneously meet the following requirements, as the components of the assets held for sale.

(i) The components should be immediately sold under the current condition only according to the usual terms of the parts sold.

(ii) The enterprise has made resolution for the disposal of the components, the approval of shareholders' meeting or relevant authority agency if the shareholder's approval is requested by the rules.

(iii) The enterprise has signed the irrevocable transfer agreement with the transferee.

(iv) The transfer shall be completed within one year.

3.14 Long-term equity investment

The Company's long-term equity investment includes investment under control and equity investment where the Company can exercise significant influence and equity investment in joint venture. Where the Company is capable of exercising significant influence on the investee, it is the Company's associated company.

(a) Common control of and significant influence on investee

Common control means shared control of a certain arrangement based on relevant agreement and the decision for relevant activity of the arrangement may not be made unless with unanimous agreement of all parties sharing the controlling right. To judge whether there is common control, the first thing is to determine whether the arrangement is under collective control of all participating parties or groups of participating parties. If decision on the activities of certain arrangement may not be made unless all participating parties or one group agree, it is deemed that all participating parties or one group of participating parties control the arrangement. Second, to figure out whether the decision on the relevant activities of the arrangement calls for the unanimous agreement of all the participating parties that control the arrangement. Where two or more groups of participating parties can collectively control an arrangement, it is not deemed common control. Protective rights are no need to be taken into account when judging if there is common control.

Significant influence means investor has the right to participate in the decision-making process of the investee but does not have control alone or in conjunction with others over the decision-making process. When determining investor's ability to significantly influence the investee, the Company will consider the voting shares that investor holds directly or indirectly in the investee and the impact on investee when the potential voting right investor and other parties hold in the current period are, presumably, converted into equity in investee, including impact of convertible equity warrant, stock option and convertible corporate bonds that investee issues during the current period.

Generally, the Company is deemed to have a significant influence on an investee's in which Company holds, directly or through subsidiary, 20% (including 20%) or more but less than 50% voting shares, unless there is a clear evidence showing that Company is not able to participate in the investee's operation decision-making process or exercise significant influence on it.

(b) Determining initial investment cost

①Long term equity investment cost arising from business combination activities is determined by rules below:

A. Where, in the case of merger with a target company under the common control, the Company pays the consideration with cash or non-cash assets by taking over the liabilities of the target company, the carrying value of the owners' equity in the target company as reflected in Company's consolidated financial statements at the merger date is recognized as Company's initial cost for long term equity investment. Capital reserve is adjusted according to the difference between the Company's initial cost for long term equity investment and the cash and non-cash assets that the Company pays and liabilities that the Company takes over; where capital reserve is not enough for offsetting, retained earnings will be adjusted.

B. For business combination under the common control, the acquirer pays the consideration with equity securities, then the carrying value of the owners' equity in the target company is recognized as the initial cost of long term equity investment in the acquirer's consolidated financial statement at the merger date. The difference between the initial cost for long term equity investment and total par value of the issued shares is adjusted to capital reserve account, if capital reserve is not enough for offsetting, retained earnings is adjusted.

C. If business combination is not under common control, the initial cost of long term equity investment is determined by the fair value of the assets liability to bear and issued bond that the acquirer pays to get control of the acquiree. The intermediary expenses arising from consolidation, such as audit, legal services, assessment, as well as other relevant administrative expenses are recognized in the acquirer's profit or loss in the current period.

②For long term equity investments other than those arising from business combination, cost is determined by the rules below:

A. For long term equity investment acquired by cash payment, the actual payment is the initial cost. Initial investment cost includes costs, taxes and other necessary expenses directly related to the long-term equity investment.

B. For long term equity investment paid by equity securities issued, the fair value of the issued equity securities is recognized as the initial investment cost.

C. For long term equity investment exchanged with non-cash asset, if the transaction has commercial substance and the non-cash assets fair value is measurable, then the fair value of the exchanged asset and tax cost involved is recognized as initial investment cost and the difference between fair value and carrying value of the exchanged asset is recognized profit or loss. Where the above two conditions cannot be satisfied at the same time for the exchanged non-cash asset, the carrying value of the exchanged asset and tax cost involved are recognized as initial investment cost.

D. For long term equity asset obtained through debt restructuring, the fair value of the share obtained is recognized as initial investment cost and the difference between initial investment cost and the carrying value of the debts is recognized in profit or loss.

(c) Subsequent measurement and recognition of profit or loss

Cost method is used to account for long term equity investment if the Company can exercise control on the investee and equity method is used to account for long term equity investment in associated company and joint venture.

①Cost method

For long term equity investment adopting cost method, the cost of long term equity investment is adjusted when such investment is increased or disposed; cash dividend or profit announced by the investee is recognized as investment income.

②Equity method

Generally, for long term equity investment with equity method, accounting practice is as below:

When the Company’s cost for long term equity investment is more than the fair value of the target’s net identifiable asset that the Company is entitled to, the initial cost for long term equity investment is not adjusted; when the Company’s cost for long term equity investment is less than the fair value of target’s net identifiable assets that the Company is entitled to, the difference is recognized in profit or loss and the cost of long term equity investment is adjusted accordingly.

The Company recognizes investment income and other comprehensive income respectively for the share of the net profit or loss and other comprehensive income of the investee and the carrying value of long term equity investment is adjusted; the Company reduces the carrying value of long term equity investment according to the investee's announced profit or cash dividend; the Company also adjusts carrying value of long term equity investment and recognize it in owners' equity to reflect change of owner's equity of the investee other than net profit or loss, other comprehensive income and distributable profit. In recognizing the investee's net profit or loss, the Company will base on the fair value of the net identifiable assets of the investee at time of acquisition to adjust the investee's net profit. Where the accounting policy and period adopted by the investee are different from those of the Company, the investee's financial statements are adjusted to comply with the Company's own accounting policy and period and investment income and other comprehensive income is recognized accordingly. The Company's profit arising from unrealized internal transaction is offset between Company and associated company or joint venture and investment income is recognized accordingly. Where any asset impairment loss is provided due to unrealized internal transaction loss between the Company and the investee, such loss is recognized in full amount.

Due to the reasons such as additional investment, the Company can exercise significant influence or common control, but not control on the investee or the sum of the fair value of the equity originally held and new investment cost is recognized as the initial investment cost using equity method. The equity investment original held which is classified as financial assets available for sale, the difference between the fair value and carrying value and the cumulative fair value changes included in other comprehensive income of this equity investment is transferred to the profit or loss using equity method.

Due to partial disposal of the equity investment, the Company loses the joint control or significant influence on the investee, the remaining equity investment is measured at fair value, the difference between the fair value and its carrying amount is recognized in profit or loss at the date when joint control or significant influence is lost. The other comprehensive income arising from the original equity investment using the equity method is adjusted with the same accounting treatment as the treatment to the relevant assets and liabilities of the investee when stop using equity method.

3.15 Investment Properties

(a) Classification of Investment Properties

An investment property is a property that is held for rent or capital gain, or both. Mainly include:

①Leased land use rights.

②Holding and preparing the land use rights after value-added.

③Leased building.

(b) The measurement mode of investment property

The Company adopts the cost model for measurement of investment properties. For investment properties held for lease purpose under the cost model, the Company adopts the same depreciation policy as that of fixed assets, and adopts the same amortization policy for land use rights as that of intangibles.

The cumulative impairment and net residual value according to depreciation or amortization of investment real estate minus the cost of the Company, the real estate investment category, estimated economic life and the expected net salvage value rate depreciation and depreciation rates were determined as follows:

category	Depreciation life (Year)	Residual rate (%)	Annual depreciation rate (%)
Buildings and constructions	35、45	5.00	2.71、2.11
Land	35、45		2.86、2.22

3.16 Fixed assets

Company fixed assets refers to the tangible assets held for the production of goods, services, rental or business management, and the service life of more than one accounting year.

(a) Recognition of fixed assets

A fixed asset is recognized according to the cost of purchase at date of purchase when all the following conditions are satisfied:

①It is probable that economic benefits associated with the asset will flow to the enterprise.

②The cost of the asset can be reliably measured.

Subsequent expenditures incurred for the fixed assets are included as part of the cost of fixed assets if the expenditures meet the aforementioned conditions, otherwise the expenditures are recognized as expense in profit or loss when they are incurred.

(b) Depreciation methods of different categories of fixed assets

Fixed assets are depreciated on a straight-line method starting from the next month after they are ready for intended use. The depreciation life and annual depreciation rates are determined according to the category of fixed assets, estimated useful life and estimated residual rate：

Categories of fixed assets	Depreciation life (Year)	Residual rate (%)	Annual depreciation rate (%)
Buildings and constructions	10-30	0-10	3-10
Machinery equipment	5	5	19
Office equipment and others	5-10	0-10	9-20
Transportation equipment	5-10	0-10	9.00-20
Special equipment	8	3	12.125

When making provision for depreciation for impaired fixed assets, the provision is based on the fixed assets value after impairment.

At the end of every year, the Company will review the fixed assets’ useful life, estimated net residual value and depreciation methods. The useful life is subject to adjustment if the estimated useful life is different from the prior estimation.

(c) Recognition, valuation and depreciation of fixed assets under finance leases

When the Company leases a fixed asset and substantially transfers all risks and rewards associated with the assets, this asset is recognized as a fixed asset acquired under finance lease. The cost of the fixed assets acquired under finance lease is recognized by fair value of the asset on inception of lease or the present value of the minimum lease payment, whichever is lower. The same depreciation policy applies to both fixed asset acquired under finance lease and self-owned fixed asset. When the Company is reasonably sure that it will acquired the asset it leased after the expiry of the term of lease, the asset will be depreciated over its useful life; when the Company is not sure whether it will be able to acquire the ownership of the asset it leased after the expiry of the term of lease, the asset will be depreciated over the term of lease or its useful life, whichever is shorter.

3.17 Construction in progress

(a) Construction in progress is accounted for on project basis

(b) Basis and timing for transferring construction in progress to fixed assets

All expenditures incurred before a construction in progress is ready for its intended use is recognized as cost of fixed assets when transferred from this construction in progress. Such expenditures include construction fees, purchase cost of machinery and equipment, necessary expenses incurred for the construction in progress's to get ready for its intended use, as well as borrowing costs and expenses incurred for the fixed to get ready for its intended use. The Company will transfer the construction in progress to fixed asset when the installation or construction is completed and ready for its intended use. For fixed assets that have been ready for intended use but completion accounts is not yet finalized, the asset's estimate value is based on the project budget, its construction cost or actual cost, and the asset is depreciated according to the Company's asset depreciation policies. After the completion account is finalized, the estimated value is adjusted according to the actual cost, but the provisions for depreciation that have already been recognized are not adjusted.

3.18 Borrowing costs

(a) Recognition criteria for capitalization of borrowing costs

Borrowing costs incurred by the Company that can be directly attributable to asset construction or production is capitalized and recognized as asset cost when they meet all of the following conditions:

①Expenditures for the assets have been incurred;

②Borrowing costs have been incurred;

③Asset construction or production activities that were necessary to get the assets ready for intended use have begun.

Other interest expenses on borrowings, discount or premium and exchange difference is recognized in profit or loss.

When the asset construction or production was abnormally disrupted, and the disruption lasts for more than three consecutive months, capitalization of the borrowing costs is suspended.

When the asset construction or production eligible for capitalization is ready to be used or sold, capitalization of the borrowing costs is suspended; future borrowing costs is recognized as expenses when they are incurred.

(b) Capitalization rate of borrowing costs and computing of capitalization

When the Company makes special borrowings to construct or produce assets that can be capitalized, the capitalization amount on the special borrowings shall be determined by the interest expenses on the special borrowings minus the interest income generated by depositing the unused borrowing money in the bank or investment income generated making temporary investment with the unused borrowed money.

When the Company takes up general borrowings to construct or produce assets that can be capitalized, the capitalization amount on the general borrowings shall be determined by the weighted average of the excess of accumulated expenditure over the expenditure from special borrowing, multiplying the capitalization rate of the used general borrowings and interest to be capitalized is determined. The capitalization rate is determined according to the weighted average interest rate of the general borrowings.

3.19 Intangible assets

(a) Measurement method of intangible assets

Intangible assets are recognized by their initial cost of acquisition.

(b) Useful life and amortization of intangible assets

①Estimation of the useful life of intangible assets with finite useful lives

Item	Expected useful life	Basis
Land use right	30 years or 70 years	Statutory useful lives
Software	5 years	Useful lives is determined according to a period in which the asset brings economic benefits to the Company

At the end of each report period, the Company reviews the useful lives and amortization method for intangible assets with finite useful lives. Review at the end of the current reporting period indicates that the intangible assets' useful lives and amortization method are of no difference as compared with previous estimation.

②When the period of economic benefits that the intangible assets bring to the Company is unpredictable, it will be categorized as intangible assets with indefinite useful lives. For such kind of intangible assets, the Company reviews their useful life at the end of each reporting period. If the respective useful life remains unable to be determined, the assets would be tested for impairment on the balance sheet date.

③Amortization of intangible assets

For the usage of intangible assets with finite useful lives, the Company determines its useful lives and at its acquisition and amortized over the useful lives using the straight-line method, the amount of amortization is recognized in profit or loss according to its usage. The amortization amount is computed by acquisition cost net of estimated residual value, and recognized in profit or loss. The computation of amortization amount should also net of the accumulated provision for impairment losses if an impairment loss was provided for such intangible assets. The intangible asset's residual value shall be considered zero except for the following circumstances: A third party committed to acquire the intangible asset when its useful life expires, or the residual value can be estimated in an active market, and the market is likely to exist when the useful life expires.

Intangible assets with indefinite useful lives are not amortized. At the end of each reporting period the Company reviews the useful lives of intangible assets with indefinite useful life. If there are evidences that suggest the intangible assets have finite useful lives, the Company will estimate the assets' useful lives and provide reasonable amortization during the estimated useful life.

3.20 Long-term asset impairment

(a) Impairment test and accounting methods for long-term equity investment

The Company examines each long-term equity investments at the balance sheet date to determine whether there is evidence that the value of its long-term equity investments should be impaired according to various changes in the invested entity's business policies, legal environment, market demand, industry, profitability and etc. When the recoverable amount of a long-term equity investment is lower than its carrying value, an impairment loss would be recognized at the difference between the carrying value of the long-term equity investment and its recoverable value. Once the loss of asset impairment is recognized, it cannot be reversed in the future accounting periods.

(b) Impairment test and accounting methods for fixed asset

The Company assesses the fixed assets at the balance sheet date, when there is any evidence that the estimated recoverable amount is lower than its carrying value, the carrying value is write down to its recoverable amount, the write-down amount is recognized as impairment loss in profit or loss, the corresponding provision for asset impairment is accrued at the same time. Once the loss of asset impairment is recognized, it will not be reversed in the future accounting periods.

(c) Impairment test and accounting methods for fixed asset

The Company assesses the fixed assets at the balance sheet date, when there is any evidence that the estimated recoverable amount is lower than its carrying value, the carrying value is write down to its recoverable amount, the write-down amount is recognized as impairment loss in profit or loss, the corresponding provision for asset impairment is accrued at the same time. Once the loss of asset impairment is recognized, it will not be reversed in the future accounting periods. When any of the following conditions exist, impairment loss is provided in full for the fixed assets.

①The fixed assets which were idle for a long period, not expected to use in the foreseeable future and has no value to be transferred;

②The fixed asset can no longer be used because of technology change or other reasons;

③Although the fixed assets still can be used, a large amount of sub-standard products would be produced in using such fixed assets ;

④The fixed asset has been damaged that it has no value to be used or transferred;

⑤Other fixed assets that can no longer bring any real economic benefits to the Company.

(d) Impairment test and accounting methods for construction in progress

The Company conducts comprehensive inspection of the construction in progress at the balance sheet date, if there is evidence that the construction in progress has been impaired, the recoverable amount estimated is lower than its carrying value, the carrying value is reduced to its recoverable amount, the reduced amount is recognized in profit or loss, an impairment provision is made accordingly. Once the loss of asset impairment is recognized, it cannot be reversed in the future accounting periods. If any one or more of the following conditions exist, impairment tests for construction in progress are conducted.

①The construction in progress has been expended for a long period, and is not expected to reopen in the next three years;

②The construction projects have lagged behind whether in performance or in technology, and there is fundamental uncertainty for bringing economic benefits to the enterprise;

③Other evidences which prove that the construction in progress has been impaired.

(e) Impairment test and accounting methods for intangible asset

When the intangible asset's recoverable amount is lower than its carrying value, the carrying value of the asset is reduced to its recoverable amount, the reduced amount is recognized as impairment loss and recognized in profit or loss, a provision for impairment of intangible assets is made accordingly. Once the impairment loss of intangible assets is confirmed, it cannot be reversed in the future accounting periods. If any one or more of the following conditions exist, impairment tests for intangible assets are performed.

①The intangible asset has been replaced by new technologies, and its ability to create economic benefits for the Company has been adversely affected significantly;

②The intangible asset’s market value has fallen sharply in the current period and may not restore in the remaining useful life;

③Other evidences to prove that the intangible asset’s carrying value has been higher than its recoverable amount.

(f) Impairment testing of goodwill

Goodwill created by a business combination shall be subject to impairment tests at least at the end of each year. In the impairment test of the relevant asset group or portfolio of goodwill containing the Company, if there are signs of impairment in the asset group or asset group associated with the goodwill, the following procedure shall be taken:

First tested for impairment does not contain an asset group or combination of asset groups, calculate the recoverable amount, and compared with the book value of assets, confirmation of the impairment loss of goodwill; then contains the asset group or combination of asset groups that are tested for impairment than the related asset group or combination of asset groups book the value (book value includes share of goodwill) with the recoverable amount, such as asset group or combination of asset groups the recoverable amount is lower than its book value, the difference between the impairment loss. The amount of impairment loss first offset apportioned to the asset group or combination of asset groups in the goodwill of book value; then according to the book value of the asset group or combination of asset groups except the goodwill of the other assets of the proportion of the book value, according to the proportion of the assets of the other deductions.

3.21 Employee benefits

Employee benefits refer to all forms of consideration or compensation given by an enterprise in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided to an employee's spouse, children, dependents, family members of deceased employees, or other beneficiaries are also employee benefits.

(a) Accounting for short-term employee benefits

①Basic benefits (salary, bonus, allowance, subsidy)

During the reporting period in which the employees provide service for the Company, the short-term compensation which actually occurs is recognized as a liability, and shall be recognized in profit or loss, other than the exception that is required or permitted to be included in the cost of assets pursuant to other accounting standards.

②Staff welfare

Staff welfare are recognized in profit or loss or related cost of assets when they are incurred. If the welfare benefits are not monetary, they are measured by fair value.

③Medical insurance, employee injury insurance, maternity insurance and other social insurance and housing fund, as well as labor union fee and staff education fee

The Company pays the medical insurance, employee injury insurance, maternity insurance and other social insurance and housing fund for employee, and provide labor union fee and employee education fee according to the regulations, computes the employee benefits on the regulated accrual basis and percentage, and recognizes the corresponding liability and also recognizes it in profit or loss or related cost of assets.

④Short-term compensated leaves

The Company recognizes employee benefits for cumulative compensated leaves as the employee provide services and increase their rights to enjoy paid leaves, and measured by the increased expected paying amount in respect of the cumulative unexercised rights. The Company recognizes the employee benefits associated with the non-cumulative compensated absence during the accounting period when employees take leaves.

⑤Short-term profit sharing plan

When a profit sharing plan meets all of the following conditions, the Company recognizes the employee benefits payable.

A. When the Company has a present legal or constructive obligation to pay employee benefits as a result of past events;

B. The employee benefits payable resulting from the profit sharing plan can be reliably estimated.

(b) Accounting method for post-employment benefits

①Defined contribution plan

During the accounting period when employees render service to the Company, the amount of contributions payable are recognized as liabilities and recognized in profit or loss or related asset cost.

Pursuant to defined contribution plan, the amount of payable is not expected to be settled in full within the 12 months immediately after the end of the reporting period. The Company would discount the payables to its present value at the corresponding discount rate. (The discount rate is determined by reference to the yield on government debts or high-quality corporate bonds with deep markets, which subject to the same period and currency as that of the Company's obligation under the defined contribution plan at the end of the reporting period.) The entire payable to employee's benefits is stated at the discounted amount.

②Defined benefit plan

A. Determine the present value and current service cost of the defined benefit plan

According to the projected unit credit method, the Company adopts unbiased and consistent actuarial assumptions to estimate the demographic variables and financial variables, measure the obligations under the defined benefit plan and determine the time period in which the obligations are vested. (The Company would discount the payables to its present value at the corresponding discount rate. The discount rate is determined by reference to the yield on government debts or high-quality corporate bonds with deep markets, which subject to the same period and currency as that of the Company's obligation under the defined benefit plan at the end of the reporting period.) The obligation under defined benefit plan is discounted to determine its present value and current service cost.

B. Determine the net liability or net asset of the defined benefit plan

When there are assets under the defined benefit plan, the net liability or net asset of the plan is measured by the deficit or surplus resulting from the difference of the present value of obligation under defined benefit plan and the fair value of those assets.

If a defined benefit plan has a surplus, the Company will measure the plan's net asset as the lower of the surplus and its asset ceiling.

C. Determine the amount that recognized as cost of assets or in profit or loss.

Service cost including current service cost, past service cost and profit or loss at settlement. Unless required or permitted by other accounting principles that the current service cost to be capitalised into the cost of assets, other service cost is recognized profit or loss.

Net interest generated from the net liability or net asset of the defined benefit plan, including interest income from the plan's assets, interest expense from the plan's liability and interest relating to the impact of the plan's asset ceiling, is recognized profit or loss.

D. Determine the amount that recognised in other comprehensive income

Remeasure the changes of the net liability or net asset of the defined benefit plan, including:

(a) Actuarial gains or losses, that is, increase or decrease in the present value of the obligation of the defined benefit plan arised from actuarial assumptions and experience adjustments;

(b) Return on the plan's asset, net of the net interest arising from the plan's net liability or net asset;

(c) Changes relating to the impact of the plain's asset ceiling, net of the net interest arising from the plan's net liability or net asset.

The changes arising from the remeasurement of the net liability or net asset of the defined benefit plan are recognized immediately in other comprehensive income, and are not permitted to be retransferred into the profit or loss in the future accounting periods, but the Company can appropriate these amounts recognized in other comprehensive income.

(c) Accounting method for termination benefits

The Company provides termination benefits to its employees, liability of termination benefits is recognised and recognized in profit or loss at the earlier of the following dates:

①When the Company can not unilaterally withdraw the termination benefits it provided under the termination plan or the voluntary redundancy plan;

② When the Company recognizes costs or expense for a restructuring plan which involves the payment of termination benefits.

When the sum of termination benefits is not expected to be settled in full within the 12 months immediately after the end of the reporting period, the amount is discounted to its present value at the corresponding discount rate. The discount rate is determined by reference to the yield on government debts or high quality corporate bonds with deep markets, which subject to the same period and currency as that of the Company's obligation under the defined benefit plan as at the end of the reporting period. The accrued termination benefit is stated at the discounted amount.

(d) Accounting method of other long-term employee benefits

①Fulfilling the conditions of defined contribution plan

When the other long-term employee benefits provided by the Company fulfill the conditions of defined contribution plan, employee benefits payable is measured by discounted value of the total amount payable.

②Fulfilling the conditions of defined benefit plan

At the end of a reporting period, the Company recognize the cost of employee benefits arising from other long-term employee benefits to the following components:

A. Service cost;

B. Net interest arising from the net liability or net asset of other long-term employee benefits;

C. Changes arising from the re-measurement of the net liability or net asset of other long-term employee benefits.

For the purpose of simplified accounting treatment, the net sum of the items above is recognized in the profit or loss of the current period, or the corresponding cost of assets.

3.22 Estimated liabilities

(a) Recognition criteria of estimated liabilities

Provision is recognized when the Company has an obligation related to a contingency, which meets all of the following conditions:

①It is a present obligation assumed by the Company;

②It is probable that an outflow of economic benefits will be required to settle the obligation;

③The amount of the obligation can be reliably measured.

(b) Measurement method of estimated liabilities

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation, taking into account such factors as risk, uncertainty associated to contingency and the time value of money. At balance sheet date, the Company reviews the carrying amount of provision. If there are conclusive evidences which indicate the carrying amount cannot reflect the best estimate, the carrying amount is adjusted to reflect the best estimate.

3.23 Share-based Payments

(a) The classification of share-based payments

The share-based payments shall consist of equity-settled share-based payments and cash-settled share-based payments.

(b) Determining methods for fair value of equity instruments

①The fair value of the shares granted to the employee shall be measured according to the market price of the shares of the Company, at the same time, consideration shall be given to the terms and conditions of the grant of shares (excluding the right of access under the market conditions).

②For stock options granted to employees, it is difficult to obtain market prices in many cases. If there is no trading option with similar terms and conditions, the Company chooses the applicable option pricing model to estimate the fair value of the option.

(c) Basis of best exercisable equity instruments estimate

Every balance sheet day during the vesting period, the Company makes best estimate according to the most updated number of employees that are eligible to exercise their options and adjusts the quantity of exercisable equity instruments. On vesting dates, the final estimated quantity of exercisable equity instruments is consistent with the actual exercisable quantity.

(d) Accounting treatment for implementation, amendment and termination of Share-based payments

①A cash settled share payment granted immediately after the date of the grant, and the fair value of the Company's liabilities shall be included in the relevant costs or expenses on the date of grant, and the liabilities shall be increased accordingly. The fair value of the liabilities shall be measured again on each balance sheet date and the balance sheet date prior to the settlement, and the changes shall be included in the profits and losses.

②After the completion of the waiting period up to the required service or performance conditions to exercise the cash settled share based payment in the waiting period for each balance sheet date to the best estimate of the right situation as the foundation, according to the fair value of the liability of the Company will undertake, when made of cost or service expenses and the corresponding liabilities.

③Equity settled share payment in exchange for employee services immediately after the grant of the award; on the date of grant, the fair value of equity instruments shall be included in the relevant costs or expenses, and accordingly the capital surplus shall be increased accordingly.

④After the completion of the waiting period up to the required service or performance conditions can only be exercised in return for services of employees with equity settled share based payment in the waiting period for each balance sheet date, with the best estimate of the number of vested equity instruments as the basis, according to the fair value of the equity instruments granted on, will be obtained in the current the service included in the cost or expenses and the capital reserves.

(e) The accounting treatment of the modification of the share payment plan;

In the event of the modification of the share payment plan, if the amendment adds to the fair value of the equity instrument granted, the corresponding increase in the amount of the equity instrument shall be recognized accordingly; If the amount of the equity instrument granted is increased, the fair value of the equity instrument added is accordingly recognized as an increase in the amount of services received. The increase in fair value of equity instruments refers to the difference between the fair value of the equity instruments modified before and after the revision date. If the modification reduces the total fair value of the shares to pay or other workers is not conducive to the way of modifying the share based payment terms and conditions will continue to the service accounting, as the change of equity instruments never occurred, unless the Company canceled some or all have been granted.

(f) The accounting treatment of the termination of the share payment plan;

If the equity instrument or settlement of the equity instrument granted (otherwise excluded from the exercise of the right) is cancelled during the waiting period, the Company:

① The cancellation or settlement shall be used as an accelerated exercise, immediately confirming the amount originally recognised in the remainder of the waiting period;

②In the cancellation or settlement, all payments to the employee are treated as repurchase of interest, and the amount of the repurchase payment is higher than that of the equity instrument, which is included in the fair value of the repurchase date and is included in the current expenses.

If the Company purchases the rights and interests instruments that its employees have already exercised, it shall reduce the owner's equity of the enterprise; the amount of the repurchase payment shall be higher than that of the equity instruments, and shall be included in the fair value of the repurchase date in the current profits and losses.

3.24 Principles for recognizing revenue and methods of measurement

(a) Revenue from sale of goods

Revenue from sales of goods is recognized when all the following conditions are satisfied: The Company has transferred the significant risks and rewards of ownership of the goods to the buyer; the Company maintains neither managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; it is probable that related economic benefits will flow to the Company; the related cost that has incurred or might be incurred and can be reliably measured.

(b) Revenue from provision of labor service

When the result of the labor service can be reliably estimated at the date of balance sheet, the revenue from provision of labor service is recognized according to the percentage of completion method. The stage of completion of the labor service is determined according to the certified completed work.

The result of the labor service can be reliably estimated when all of the following conditions are satisfied: A), the revenue can be reliably measured; B), it is probable that related economic benefits will flow to the Company; C), the progress of the labor transaction can be reliably measured; and D), the related cost that has incurred or might be incurred can be reliably measured.

The Company calculates the total revenue of labor service according to the amount indicated in the contract or agreement that have already been received or to be received, unless the amount indicated in the contract or agreement received or not received is not fair. At the balance sheet date, the Company recognises the revenue of labor service for a period by multiplying the total revenue of labor service with the stage of completion, minus the revenue of labor service that has been recognized at previous accounting periods. The Company recognises the cost of labor service for a period by multiplying the total estimated cost of labor service with the percentage of work progress, minus the cost of labor service that has been recognized in previous accounting periods.

If the result of labor services cannot be reliably estimated at balance sheet date, the revenue from provision of labor services is recognised according to the following basis:

①When the incurred labor cost is expected to be compensated, the incurred labor cost is recognized as the revenue of labor service, and recognize the same amount as labor cost.

(a) When the incurred labor cost is not expected to be compensated, the incurred labor cost is recognized in profit or loss, and the revenue of labor service is not recognized. Revenue from abalienating the right to use assets

The revenue from abalienating of right to use assets consists of interest revenue and royalty revenue.

The Company shall ascertain the amount of revenues from the abalienating of right to use assets based on the following circumstances, respectively:

(i) The amount of interest revenue should be measured and confirmed in accordance with the length of time for which the enterprise's cash is used by others and the actual interest rate; or

(ii) The amount of royalty revenue should be measured and confirmed in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

(c) Revenue from transfer of right to use of assets

When it is probable that the related economic benefits will flow to the Company, and the revenue can be reliably measured, the revenue from transfer of right to use assets is recognized as follows.

① Interest income is calculated according to the period of time the borrowers have the right to use the Company’s cash and the actual interest rate.

② Revenue from the right of use is determined according to the time of use and basis as stated in the relevant contracts or agreements.

(d) Detailed methods of company income

Gas sales revenue：Confirm in accordance with the method of merchandise sales income, the main risk and remuneration transfer of merchandise ownership, the income and cost can be measured reliably, at the end of each month according to the gas supply quantity to determine the income.

Commercial residential building sales income：acceptance by owner, delivered to the owners of commercial housing for the income recognition point.

3.25 Government grants

(a) Confirmation of government subsidies

The government subsidy shall meet the following conditions before it can be confirmed:

(i) The Company can meet the conditions attached to the government subsidy;

(ii) The Company can receive government subsidy.

(b) The measurement mode of government subsidies

Government grants for monetary assets are measured in accordance with the amount received or receivable. Where a government subsidy is a non-monetary asset, it shall be measured in accordance with the fair value; if the fair value cannot be reliably obtained, it shall be measured in nominal amount.

(c) Accounting treatment of government subsidies;

In addition to the financial discount, the total amount of the method is used to calculate the government subsidy.

Government grants related to assets are recognised as deferred gains,in the relevant asset life, according to a reasonable, systematic approach to the profits and losses.Government subsidies, measured in nominal amounts, are directly included in current profits and losses.The Related assets are sold, transferred, scrapped or damaged prior to the end of their useful life,the balance of the deferred relevant income not yet allocated shall be transferred to the profits and losses of the assets disposed of in the current period.

Income related government subsidies shall be handled in accordance with the following provisions:

(i) Used to compensate for the relevant costs, expenses or losses of the Company after the period, recognized as deferred income, and in recognition of the relevant costs, costs or losses during the current period included in the profits and losses;

(ii) For the compensation of the relevant costs, expenses or losses incurred by the Company, it shall be included in the profits and losses of the current period.

A government subsidy that involves both the asset related part and the income related part, distinguish between different parts of the accounting treatment; difficult to distinguish; the whole is classified as a government subsidy related to earnings.

Government subsidies related to the daily activities of the Company shall be included in other proceeds in the light of the economic nature of the business. Government subsidies unrelated to our daily activities are included in non-operating income.

Government finance allocated the discount funds to the lending bank, by the lending bank to preferential interest rate loans to the Company, the actual receiving loan amount as the recorded value of the loan, calculation of borrowing costs in accordance with the loan principal and the preferential interest rate. Government finance allocated the discount funds to the lending bank, the Company should write-downs the corresponding discount borrowing costs.

3.26 Deferred income tax assets and deferred income tax liabilities

The Company generally recognizes and measures deferred tax liabilities and deferred tax assets arising from the tax effect of taxable temporary differences and deductible temporary differences by using the balance sheet liability method, according to the temporary differences between the carrying amounts of assets and liabilities at the balance sheet date and their tax base. The Company does not discount the deferred tax assets and deferred tax liabilities.

(1) Recognition of deferred income tax assets

With respect to deductible temporary difference, the income tax effect will be measured according to the income tax rate to be levied during the expected period of expatriation, and the effect will be recognized as deferred income tax assets, However, it is limited to the expected future taxable profits available for offsetting with those deductible taxable difference, deductible tax losses and tax deductions.

Deferred tax assets are not recognized when the effect to income tax of deductible temporary differences arose from the initial recognition of assets and liabilities from transactions or events that fulfill the following characteristics:

A. The transaction is not a corporate merger;

B. It has no impact on accounting profit or taxable income (or deductible loss) when the transaction took place.

The deductible temporary differences related to the Company’s investments in subsidiaries, associated companies and joint ventures are recognized as deferred income tax asset, only when the following two conditions are satisfied.

A. It is probable the temporary differences will be reversed in the foreseeable future;

B. It is probable to have taxable income that can be used to offset deductible temporary differences in the future.

At the balance sheet date when there are solid evidences suggesting the Company will likely get enough taxable income in the future to offset deductible temporary differences, deferred tax assets not recognized in prior periods should be recognized.

The Company reviews the carrying value of deferred tax assets at the balance sheet date. When it is unlikely to have enough taxable income in the future to offset deductible deferred tax asset, the deferred income tax asset's carrying value is written down. If it is probable that the Company will get enough taxable income, the write-down is reversed.

(2) Recognition of deferred tax liabilities

The Company adopts the income tax rate during the expected reversal period to measure the impact on income tax arose from taxable income's provisional differences, and recognizes the impact as deferred income tax liabilities, except for the following circumstances:

①The impact of taxable temporary differences arose from the following transactions or events is not recognized as deferred tax liabilities:

A. Initial recognition of goodwill;

B. Initial recognition of an asset or liability in transactions that are not business combinations and, at the time of the transaction, affects neither the accounting profit, taxable income nor deductible losses.

②Under general circumstances, the impact of taxable temporary differences relating to the Company's investments in subsidiaries, associated companies and joint ventures, are recognized as deferred tax liabilities, except when the following two conditions apply:

A. The Company can control when to reverse the temporary differences;

B. The temporary differences are probably not going to be reversed in the foreseeable future.

(3) Recognition of deferred tax liabilities or assets relating to specific transactions or events

①Deferred tax liabilities or assets relating to business combination

For taxable temporary differences or deductible temporary differences arose from business combinations not under common control, the deferred tax expenses (or credits) would generally be adjusted to goodwill under the business combination when the deferred tax liabilities or assets are recognized.

②Items directly recognized in the owner's equity

Income tax and deferred tax in relation to transactions or events that should be directly recognized in owner's equity, is directly recognized in the owner's equity. Such transactions or events include: Other comprehensive income from changes in fair value of available-for-sale financial assets, retained earnings adjustment from adoption of new accounting policies or correcting accounting errors retrospectively, and hybrid financial instruments consisting of debt and equity interest which is recognized in owner's equity at initial recognition.

③Reparable losses and tax credits

A. Reparable losses and tax credits generated by the Company from its operations

Deductible loss is a loss allowed by the tax law to be offset by taxable income in the subsequent financial years. Unutlized losses (Deductible losses) and tax credits that are allowed to be reversed in subsequent financial years are treated as deductible temporary differences. If the Company expects to get enough taxable income to offset reparable losses or tax credits, the deferred tax asset is recognized as much as the taxable income it expects to get, and is used to be set off with the income tax expenses in the profit or loss.

B.Unutilized losses of the merged enterprise caused by business combinations

In a business combination where the Company obtains the acquiree's deductible temporary differences, it should not recognize them if they do not meet the conditions to be recognized as deferred tax assets at the date of acquisition. Within 12 months from the date of acquisition, if new or further information suggests the economic benefits to be brought by the deductible temporary differences can be realized, the deferred tax asset is recognized and goodwill is decreased. If goodwill is not enough to offset, the shortfall is recognized in profit or loss. Except for the aforementioned circumstances, the deferred tax assets relating to business combination are recognized in profit or loss.

④Temporary differences caused by elimination due to combination

When the Company prepares consolidated financial statements, if there are temporary differences between the carrying value of its assets and liabilities and its tax base, the differences are recognized as deferred tax assets or deferred tax liabilities in the consolidated balance sheet, and the income tax expenses in the consolidated income statement is adjusted accordingly, except for deferred tax for transactions or events relating to business combinations which is directly recognized in owner's equity.

⑤Equity-settled share-based payments

When the tax law allows pretax deductions of expenses relating to share-based payments, during the period when the cost is recognized according to accounting principles, the Company determines its tax base and temporary differences according to information it obtains at the end of financial period, and recognizes the deferred tax if relevant conditions are satisfied. When it expects the pretax deductions exceed the cost associated with equity payments recognized according to accounting principles, the excessive income tax impact is recognized directly to income tax benefits.

3.27 Operating leases and finance leases

In essence, the leasing of all risks and rewards relating to the ownership of the property as a financial lease is, in addition, an operating lease.

(a) Accounting treatments for operating leases

The Company shall, as the lessee of the lease operation, pay the rental expenses for the operation of the lease, and shall be credited to the current profits and losses in accordance with the straight-line method or the amount of the leased assets during the period of the lease term. The Lessor provides rent free period, the Company will not deduct the total rent in the rent free period throughout the lease period, assessed by the straight-line method or other reasonable methods, rent expenses and the corresponding liabilities that rent free period. Where the lessor is responsible for certain expenses of the lessee, the balance of the rental expenses deducted from the total amount of the rental fee shall be paid by the lessor during the lease term. The initial direct charges are included in the current profits and losses. In the event of an agreement or rental, it is included in the current profits and losses when it actually occurs.

When the Company operates the rental lessor, the rent will be recognized as proceeds in the lease term by the straight-line method. The Lessor provides free lease, the lessor shall not deduct the total rent on the rent free period throughout the lease period, to be allocated by the straight-line method or other reasonable methods, the lessor rent free period also confirm the rental income. In the case of certain expenses of the lessee, the balance of the rental income after the deduction of the cost from the total amount of rental income shall be allocated during the lease term.

The initial direct charges are included in the current profits and losses. If the amount is large, it shall be capitalized, and shall be included in the current profits and losses in the whole period of the operation lease according to the same basis as the recognition of the rental income. If the agreement is agreed or has the rent, it shall be included in the current income when it actually occured.

(b) Accounting treatments for finance leases

①The Company as a finance lease the lessee, the lease beginning date, will begin to lease on the lower one of the fair value of the leased asset and the present value of the minimum lease payments as the recorded value of leased assets, the amount of the minimum lease payments as the recorded value of long-term payables, the difference as unrecognized financing charges. During the term of the lease, the actual interest rate method is used for the apportionment, which is recognized as the current financing cost, which is included in the financial cost.

The initial direct costs incurred are included in the value of the leased assets.

In the provision of financial lease assets depreciation, the Company adopts the depreciation policy consistent with its own depreciation assets. The period of depreciation shall be determined by the lease contract. If we can reasonably determine the expiry of lease period the Company will obtain the ownership of the leased asset, the beginning date of the lease term of the lease assets life as the depreciation period; if unable to reasonably determine the lease expires after the Company is able to obtain ownership of the leased asset, to lease and lease asset life both shorter as the depreciation period.

②The Company as a finance lease the lessor, from the beginning date of the lease term lease minimum lease amount receivable beginning date and the initial direct costs and as the recorded value of finance lease receivables, included in the balance sheet of the long-term receivables, and record the unguaranteed residual value of the minimum lease payments receivable; and the initial direct costs and the unguaranteed residual value and the sum of their present values as the difference between the unrealized financing income during the lease period, each using the effective interest method is recognised as rental income, other operating income included in the rental income.

3.28 Changes in significant accounting policies and accounting estimates

(a) Changes in accounting polices

On 28 April 2017, the Ministry of Finance issued the <Accounting standards for Enterprises No. 42 - non-current assets held for sale, disposal groups and discontinued operations>, the standard effected as of 28 May 2017. For the standard effected day of the existence of the non-current assets held for sale and disposal of group and discontinued operations, the prospective application method shall be adopted.

On 10 May 2017, the Ministry of Finance issued revised the <Accounting standards for Enterprises No. 16 - government grants>, according to standard requirements, for the Government subsidies on 1 January 2017 are governed by the applicable method of the future, between 1January 2017 and the standard effected day, new government subsidies are adjusted in accordance with this standard, these changes in accounting policies have an impact on the presentation of the financial statements during the reporting period:In 2017 1-6, the Company received government subsidies related to the daily operations of the enterprise, included in other proceeds of government subsidies totaling CNY373,020.00 yuan.

(b) Changes in accounting estimates

The Company has no change in accounting estimates for reporting period.

Note 4. Tax items

(a) The major categories of tax and tax rates applicable to the Company

Tax items	Taxation basis	Tax rate
Value added tax (VAT)	Output VATs are calculated and paid on taxable revenues at a tax rate of 17%, and VATs are paid at the net amounts after deducting input VATs for the reporting period	17%、13%、5%、6%
Business tax	Business taxes are calculated and paid on taxable revenues	3%、5%
Urban maintenance and construction tax	Urban maintenance and construction taxes are paid on turnover taxes	7%
Educational surcharge	Educational surtaxes are paid on turnover taxes	3%
Local Education and supplementary tax	Educational surtaxes are paid on turnover taxes	2%
Enterprise income tax	Enterprise income taxes are paid on taxable profits	25%

[note]：On 23 March 2016, the Ministry of Finance and the State Administration of Taxation issued <Circular on pushing the pilot of VAT for business tax reform in full swing>（Fiscal [2016] No. 36）,since 1 May 2016, the Company levied VAT from its business tax.

(b) Tax Preference

According to the Ministry of finance and the State Administration of Taxation of <Notice on the handling of enterprise income of special purpose financial funds>（Fiscal [2011] No. 70），the Company received the fiscal subsidies income that compliance with the provisions as non-taxable income, when calculating taxable income, deduct from the total amount of income.

According to the Zhejiang caizong [2016] No. 18, since 1 April 2016 (the payment period), the Company based on the sales income or business income of the local water conservancy construction fund levy 0.7‰; According to the Zhejiang caizong [2016] NO.43, since 1 November 2016, the Company achieved sales revenue or operating income, to suspend the tax authorities to declare and pay the local water conservancy construction funds.

(c) Others needed to be emphasized

Note 5. The consolidated financial statements

5.1 Monetary Assets

Items	30 Jun 2017	31 Dec 2016
Cash	147,899.27	121,006.96
Bank deposits	1,744,671,136.52	1,743,370,968.44
Other monetary funds		
Total	1,744,819,035.79	1,743,491,975.40

5.2 Accounts receivable

(1) Disclosure of accounts receivable by category

Items	30 Jun 2017				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with individually significant balance and recognised provision for bad debt individually	6,170,524.40	16.24	6,170,524.40	100.00	
Accounts receivable with bad debt provision recognised collectively by similar credit risk characteristics	31,404,023.09	82.62	200,651.14	0.64	31,203,371.95
Combination 1：	28,059,837.30	73.82			28,059,837.30

Items	30 Jun 2017				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Combination 2：	3,344,185.79	8.80	200,651.14	6.00	3,143,534.65
Accounts receivable with individually insignificant balance but recognised provision for bad debt individually	434,811.10	1.14	434,811.10	100.00	
Total	**38,009,358.59**	**100.00**	**6,805,986.64**	**17.91**	**31,203,371.95**

(Continued)

Items	31 Dec 2016				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with individually significant balance and recognised provision for bad debt individually	6,170,524.40	26.29	6,170,524.40	100.00	
Accounts receivable with bad debt provision recognised collectively by similar credit risk characteristics	16,866,602.07	71.86	178,347.89	1.06	16,688,254.18
Combination 1：	13,894,137.23	59.19			13,894,137.23
Combination 2：	2,972,464.84	12.66	178,347.89	6.00	2,794,116.95
Accounts receivable with individually insignificant balance but recognised provision for bad debt individually	434,811.10	1.85	434,811.10	100.00	
Total	23,471,937.57	100.00	6,783,683.39	28.90	16,688,254.18

① Accounts receivable with individually significant balance and recognised provision for bad debt individually

Unit Name	30 Jun 2017			
	Accounts receivable	Provision for bad debt	Provision ratio (%)	Reason
Jiaxing real estate General Corporation	2,612,757.00	2,612,757.00	100.00	There is low return capability
Jiaxing best real estate development Co., Ltd.	3,557,767.40	3,557,767.40	100.00	There is low return capability
Total	6,170,524.40	6,170,524.40		

② Details of accounts receivable in combination 1:

Unit Name	Accounts receivable	Provision for bad debt	Provision ratio (%)	Reason
Jiaxing gas group co. Ltd	6,230,327.42			Risk of bad debt is low
Jiaxing economic development zone	4,283,462.50			Risk of bad debt is low
Haiyan Xin'ao Gas Co., Ltd	4,235,809.91			Risk of bad debt is low
Jushi Group Company Limited	2,949,276.80			Risk of bad debt is low
Tongxiang Gang Hua Natural Gas Company Limited	2,653,139.81			Risk of bad debt is low
Jiaxing xiuhu development investment co. Ltd	2,130,000.00			Risk of bad debt is low
Jiashan county urban and rural Natural Gas company with limited liability	1,945,308.58			Risk of bad debt is low
Pinghu Natural Gas Co., Ltd	995,741.87			Risk of bad debt is low

Unit Name	Accounts receivable	Provision for bad debt	Provision ratio (%)	Reason
Jiaxing Hong Kong natural gas co. Ltd	482,087.79			Risk of bad debt is low
Jiaxing xiuqing waterworks construction co. Ltd	200,000.00			Risk of bad debt is low
Jiaxing xiuzhou district urban and rural environmental health supervision center	153,020.00			Risk of bad debt is low
The people's government of xincheng town, xiuzhou district, jiaxing city	130,719.15			Risk of bad debt is low
Hong he community security team	615,278.00			Risk of bad debt is low
Jiaxing public security bureau xiuzhou district branch	236,990.00			Risk of bad debt is low
Deqing county natural gas Co. Ltd	117,071.84			Risk of bad debt is low
Kangan hospital, xiuzhou district, jiaxing city	167,645.70			Risk of bad debt is low
Others	533,957.93			Risk of bad debt is low
Total	28,059,837.30			

③ Details of accounts receivable in combination 2 that bad debt is extracted by balance percentage method：

Item	30 Jun 2017		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Percentage of receivables method	3,344,185.79	200,651.14	6%
Total	3,344,185.79	200,651.14	

(Continued)

Item	31 Dec 2016		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Percentage of receivables method	2,972,464.84	178,347.89	6%
Total	2,972,464.84	178,347.89	

(2) Provision, recovery or reversal of bad debt

The recovery of the provision for bad debt during the reporting period amounted to CNY 22,303.26 yuan.

(3) Disclosure of top five closing balances by entity

Unit name	Balance at 30 Jun 2017	Proportion of the balance to the total accounts receivable (%)	Provision for bad debt
Jiaxing gas group Co. Ltd	6,230,327.42	16.39	
Jiaxing economic development zone	4,283,462.50	11.27	
Haiyan Xin'ao Gas Co., Ltd	4,235,809.91	11.14	
Jiaxing best real estate development Co., Ltd.	3,557,767.40	9.36	3,557,767.40
Jushi Group Company Limited	2,949,276.80	7.76	
Total	21,256,644.03	55.92	3,557,767.40

5.3 Prepayment

(1) Disclosure of prepayment by aging

Age	30 Jun 2017		31 Dec 2016	
	Amount	Proportion (%)	Amount	Proportion (%)
Within one year	22,714,714.97	12.53	55,934,284.24	29.88
1 to 2 years	27,474,106.51	15.15	115,830.00	0.07

Age	30 Jun 2017		31 Dec 2016	
	Amount	Proportion (%)	Amount	Proportion (%)
2 to 3 years	115,830.00	0.06	100,000.00	0.05
Over 3 years	131,040,347.72	72.26	131,040,347.72	70.00
Total	181,344,999.20	100.00	187,190,461.96	100.00

(2) Disclosure of top five closing balances by entity

Unit name	Balance at 30 Jun 2017	Proportion of the balance to the total prepayments (%)
Jiaxing Xiuzhou District sewage pipe network project special account	36,250,000.00	Advance for projects
The people's government of xincheng town, xiuzhou district, jiaxing city	16,750,000.00	Advance for projects
Jiaxing Xiuzhou Industrial Park Management Committee	15,000,000.00	Advance for projects
Wang Jiang Jing Town People's Government of Jiaxing	14,500,000.00	Advance for projects
Wang Dian Town People's Government of Jiaxing	12,000,000.00	Advance for projects
Total	94,500,000.00	

5.4 Other receivables

(1) Disclosure of other receivables by category

Items	30 Jun 2017				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivable with individually significant balance and recognised provision for bad debt individuall	150,964,035.00	5.86	37,741,008.75	25.00	113,223,026.25
Other receivables with bad debt provision recognised collectively by similar credit risk characteristics	2,403,788,798.34	93.32	6,403,199.37	0.27	2,397,385,598.97

Items	30 Jun 2017				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Combination 1：	2,297,068,808.76	89.17			2,297,068,808.76
Combination 2：	106,719,989.58	4.14	6,403,199.37	6.00	100,316,790.21
Other receivable with individually insignificant balance but recognised provision for bad debt individually	21,234,930.05	0.82	8,695,257.10	40.95	12,539,672.95
Total	2,575,987,763.39	100.00	52,839,465.23	2.05	2,523,148,298.17

(Continued)

Items	31 Dec 2016				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivable with individually significant balance and recognised provision for bad debt individuall	150,964,035.00	7.02	37,741,008.75	25.00	113,223,026.25
Other receivables with bad debt provision recognised collectively by similar credit risk characteristics	1,970,623,828.85	91.69	5,902,680.15	0.30	1,964,721,148.70
Combination 1：	1,872,091,641.31	87.10			1,872,091,641.31
Combination 2：	98,532,187.54	4.58	5,902,680.15	6.00	92,629,507.39

Items	31 Dec 2016				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivable with individually insignificant balance but recognised provision for bad debt individually	27,704,729.87	1.29	10,643,900.32	38.42	17,060,829.55
Total	2,149,292,593.72	100.00	54,287,589.22	2.53	2,095,005,004.50

① Other receivable with individually significant balance and recognised provision for bad debt individually

Unit name	30 Jun 2017			
	Other receivables	Provision for bad debt	Provision ratio (%)	Reason
Jiaxing Nanhu New District Administration Committee	60,100,000.00	15,025,000.00	25.00	Long age and low return capability
Four path projects	41,229,385.00	10,307,346.25	25.00	Long age and low return capability
The Education Bureau of Jiaxing City	20,000,000.00	5,000,000.00	25.00	Long age and low return capability
The Sports Bureau of Jiaxing City	10,000,000.00	2,500,000.00	25.00	Long age and low return capability
Jiaxing Minfeng (Group) Co., Ltd	8,000,000.00	2,000,000.00	25.00	Long age and low return capability

Unit name	30 Jun 2017			
	Other receivables	Provision for bad debt	Provision ratio (%)	Reason
Qingfeng East Road, Chaoyang Road South Block of supplementary cultivated land performance bond	6,634,650.00	1,658,662.50	25.00	Long age and low return capability
Jiaxing Nanhu District Yu Xin Town Village Construction Development Co., Ltd	5,000,000.00	1,250,000.00	25.00	Long age and low return capability
Total	150,964,035.00	37,741,008.75		

② Details of other receivalbls in combination 1：

Unit name	other receivalbls	Provision for bad debt	Provision ratio (%)	Reason
Jiaxing Cultural City Investment Group Co., Ltd	741,186,463.52			Risk of bad debt is low
Jiaxing technology city investment and development group co. Ltd	327,500,000.00			Risk of bad debt is low
Zhejiang Jiaxing Xiangjia Lake development and Construction Co., Ltd.	279,032,978.41			Risk of bad debt is low
Jiaxing Xiangjiadang Investment Co., Ltd.	255,817,182.57			Risk of bad debt is low

Unit name	other receivalbls	Provision for bad debt	Provision ratio (%)	Reason
Jiaxing Xiuzhou District State owned assets supervision and Administration Bureau	200,000,000.00			Risk of bad debt is low
Jiaxing Industrial Park Infrastructure Construction Development Co., Ltd.	153,998,269.93			Risk of bad debt is low
Jiaxing Xiu Yuan Lu Tong Highway Engineering Co., Ltd.	73,356,056.39			Risk of bad debt is low
Jiaxing Industrial Park Construction Development Co., Ltd.	74,584,800.00			Risk of bad debt is low
Jiaxing Xingzhen Construction Co., Ltd.	50,635,416.67			Risk of bad debt is low
Jiaxing Nanhu District State owned assets supervision and Administration Bureau	50,000,000.00			Risk of bad debt is low
Jiaxing Nanhu City Construction Investment Group Co., Ltd.	41,000,000.00			Risk of bad debt is low
Jiaxing Liansi Lake new rural investment and Construction Co., Ltd.	30,381,250.00			Risk of bad debt is low
Others	19,576,391.27			Risk of bad debt is low
Total	2,297,068,808.76			

③ Other receivables with bad debt provision recognised collectively by the percentage of the balance

Item	30 Jun 2017		
	other receivables	Provision for bad debt	Provision ratio (%)
Percentage of receivables method	106,719,989.58	6,403,199.37	6%
Total	106,719,989.58	6,403,199.37	

(Continued)

Item	31 Dec 2016		
	other receivables	Provision for bad debt	Provision ratio (%)
Percentage of receivables method	98,532,187.54	5,902,680.15	6%
Total	98,532,187.54	5,902,680.15	

(2) Provision, recovery or reversal of bad debt

The recovery of the provision for bad debt during the reporting period amounted to CNY 1,448,123.99 yuan.

(3) Disclosure of top five closing balances by entity

Unit name	Nature	Balance at 30 Jun 2017	Age	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Jiaxing Cultural City Investment Group Co., Ltd	Current account	741,186,463.52	1-2 years、More Over 3 years	29.38	
Jiaxing technology city investment and development group co. Ltd	Current account	327,500,000.00	within one year	12.98	

Unit name	Nature	Balance at 30 Jun 2017	Age	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Zhejiang Jiaxing Xiangjia Lake development and Construction Co., Ltd.	Current account	279,032,978.41	1-2 years	11.06	
Jiaxing Xiangjiadang Investment Co., Ltd.	Current account	255,817,182.57	1-2 years	10.14	
Jiaxing Xiuzhou District State owned assets supervision and Administration Bureau	Current account	200,000,000.00	within one year、1-2 years、2-3 years	7.93	
Total		1,803,536,624.50		71.49	

5.5 Inventory

(1) Inventory Classification

Item	30 Jun 2017			31 Dec 2016		
	Book value	Provision for stock obsolescence	Carrying amount	Book value	Provision for stock obsolescence	Carrying amount
Original materials	1,128,419.06		1,128,419.06	1,073,913.92		1,073,913.92
Developed products	1,287,310,381.60		1,287,310,381.60	1,768,691,803.32		1,768,691,803.32
Stocks	3,937,875.49		3,937,875.49	3,529,751.21		3,529,751.21
Development cost	311,557,938.25		311,557,938.25	311,557,938.25		311,557,938.25
Project construction	9,623,865.04		9,623,865.04	1,572,709.53		1,572,709.53
Land assets	2,255,983,902.35		2,255,983,902.35	2,255,983,902.35		2,255,983,902.35
Entrusted construction projects	11,378,713,417.45		11,378,713,417.45	10,681,999,706.64		10,681,999,706.64
the south lake scenic spot project	914,005,801.34		914,005,801.34	899,545,619.45		899,545,619.45
Total	16,162,261,600.58		16,162,261,600.58	15,923,955,344.67		15,923,955,344.67

(2) Provision for stock obsolescence

There is no devaluation for inventories at the end of accounting period, and there is no provision for that.

5.6 Other current assets

Item	30 Jun 2017	31 Dec 2016
Bank financial products	760,000,000.00	660,000,000.00
prepaid tax	22,658,992.62	18,820,484.63
Total	782,658,992.62	678,820,484.63

5.7 Available-for-sale financial assets

(1) General information of available-for-sale financial assets

Item	30 Jun 2017			31 Dec 2016		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Available-for-sale debt instruments						
Available-for-sale equity instruments						
Measuredatfairvalue						
Measuredatcost	561,833,117.00		561,833,117.00	561,833,117.00		561,833,117.00
Total	561,833,117.00		561,833,117.00	561,833,117.00		561,833,117.00

(2) Details of available-for-sale financial assets

Investee	Book value			
	31 Dec 2016	Increase for the current period	Decrease for the current period	30 Jun 2017
Jiaxing High Grade Highway Investment Co., Ltd.	62,937,517.00			62,937,517.00
Jiaxing, Shanghai Hangzhou high-speed railway Passenger dedicated line investment and Development Co. Ltd	250,147,500.00			250,147,500.00
Jiaxing Lianhe sewage treatment Co., Ltd.	97,748,100.00			97,748,100.00
Jiaxing Xingang sewage treatment Co., Ltd	1,500,000.00			1,500,000.00
Jiaxing bank co. Ltd	149,500,000.00			149,500,000.00
Total	561,833,117.00			561,833,117.00

(Continued)

Investee	Provision for impairment				Shareholdings in investee (%)	Cash bonus for the year ended 31 Dec 2014
	31 Dec 2016	Increase for the current period	Decrease for the current period	30 Jun 2017		
Jiaxing High Grade Highway Investment Co., Ltd.					6.00	
Jiaxing, Shanghai Hangzhou high-speed railway Passenger dedicated line investment and Development Co. Ltd					13.00	
Jiaxing Lianhe sewage treatment Co., Ltd.					12.00	
Jiaxing Xingang sewage treatment Co., Ltd					10.00	
Jiaxing bank co. Ltd					6.00	
Total						

5.8 Long-term equity investment

Investee	31 Dec 2016	Changes during the reporting period				
		Increase during the current period	Decrease during the current period	Gains /(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
Associates						
Jiaxing Tourism Collector-Distributor Center Co., Ltd	479,748.64					
Zhejiang qingyuan tourism development co. Ltd	11,020,961.25			-7,476,368.02		

Investee	31 Dec 2016	Changes during the reporting period				
		Increase during the current period	Decrease during the current period	Gains /(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
Jiaxing gas group co. Ltd	74,561,688.16			-828,972.69		
Zhongdianke jiaxing new intelligent city technology development co. Ltd		20,000,000.00		-184,035.66		
Total	86,062,398.05	20,000,000.00		-8,489,376.37		

(Continued)

Investee	Changes during the reporting period			30 Jun 2017	Provision for impairment at 30 Jun 2017
	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
Associates					
Jiaxing Tourism Collector-Distributor Center Co., Ltd				479,748.64	
Zhejiang qingyuan tourism development co. Ltd				3,544,593.23	
Jiaxing gas group co. Ltd				73,732,715.47	
Zhongdianke jiaxing new intelligent city technology development co. Ltd				19,815,964.34	
Total				97,573,021.68	

5.9 Investment properties

(1) Investment properties accounted for using cost model

Item	Buildings and structures	Land use rights	Construction in progress	Total
I. Initial cost				
1.Balance at 31 Dec 2016	636,579,478.64			636,579,478.64
2.Increase during the reporting period				
(1) Acquisition				
(2) Transfer from inventories /fixed assets /construction in progress				
(3) Business combination				
3. Decrease during the reporting period				
(1) Disposal				
(2) Others				
4.Balance at 30 Jun 2017	636,579,478.64			636,579,478.64
II. Accumulated depreciation and amortization:				
1.Balance at 31 Dec 2016	115,373,914.89			115,373,914.89
2. Increase during the reporting period	8,950,979.19			8,950,979.19
(1) Provision	8,950,979.19			8,950,979.19
3. Decrease during the reporting period				
(1) Disposal				
(2) Others				
4.Balance at 30 Jun 2017	124,324,894.08			124,324,894.08
III. Provision for impairment				

Item	Buildings and structures	Land use rights	Construction in progress	Total
1.Balance at 31 Dec 2016				
2. Increase during the reporting period				
(1) Provision				
3. Decrease during the reporting period				
(1) Disposal				
(2) Others				
4.Balance at 30 Jun 2017				
IV. Carrying amount				
1.Balance at30 Jun 2017	512,254,584.56			512,254,584.56
2.Balance at 31 Dec 2016	521,205,563.75			521,205,563.75

(2) Investment properties without certificate of title

There is no such item.

5.10 Fixed assets

(1) General information of fixed assets

Items	Buildings and constructions	Machinery equipments	Office quipment and other	Transportation equipment	Special appliance	Total
I. Initial cost:						
1. Balance at 31 Dec 2016	490,202,359.81	31,940,042.84	19,575,062.06	27,860,968.19	732,818,297.06	1,302,396,729.96
2. Increase during the reporting period	40,724,595.67	1,620,231.00	561,962.59			42,906,789.26
(1) Acquisition	40,400,531.67	87,631.00	561,962.59			41,050,125.26
(2) Transfer from construction in progress	324,064.00	1,532,600.00				1,856,664.00

Items	Buildings and constructions	Machinery equipments	Office quipment and other	Transportation equipment	Special appliance	Total
(3) Business combination						
3. Decrease during the reporting period	834,660.13		584,427.64	61,242.10		1,480,329.87
(1) Disposal	834,660.13		584,427.64	61,242.10		1,480,329.87
4. Balance at 30 Jun 2017	530,092,295.35	33,560,273.84	19,552,597.01	27,799,726.09	732,818,297.06	1,343,823,189.35
II. Accumulated depreciation:						
1. Balance at 31 Dec 2016	121,066,504.13	15,055,684.50	16,050,608.88	18,940,219.47	228,329,070.56	399,442,087.54
2. Increase during the reporting period	8,682,204.94	8,028,882.31	665,649.54	1,091,789.90	10,884,983.56	29,353,510.24
(1) Provision	8,682,204.94	8,028,882.31	665,649.54	1,091,789.90	10,884,983.56	29,353,510.24
3. Decrease during the reporting period	115,654.99		511,929.36	61,242.10		688,826.45
(1) Disposal	115,654.99		511,929.36	61,242.10		688,826.45
4. Balance at 30 Jun 2017	129,633,054.08	23,084,566.81	16,204,329.06	19,970,767.27	239,214,054.12	428,106,771.33
III. Provision for impairment						-
1. Balance at 31 Dec 2016						-
2. Increase during the reporting period						-
(1) Provision						-
3. Decrease during the reporting period						-
(1) Disposal						-
4. Balance at 30 Jun 2017						-
IV. Carrying amount						-

Items	Buildings and constructions	Machinery equipments	Office quipment and other	Transportation equipment	Special appliance	Total
1.Balance at 30 Jun 2017	400,459,241.27	10,475,707.04	3,348,267.96	7,828,958.82	493,604,242.94	915,716,418.02
2.Balance at 31 Dec 2016	369,135,855.68	16,884,358.34	3,524,453.18	8,920,748.72	504,489,226.50	902,954,642.42

(2) Idle fixed assets

There is no such item.

(3) Fixed assets acquired under finance leases

There is no such item.

(4) Fixed assets leasing out under operating leases

There is no such item.

(5) Fixed assets without certificate of title

There is no such item.

5.11 Construction in progress

(1) General information of construction in progress

Item	30 Jun 2017			31 Dec 2016		
	Cost	Provision for impairment	Carrying amount	Cost	Provision for impairment	Carrying amount
Sewage pipe network and drinking water safety project	64,452,936.13		64,452,936.13	50,346,498.28		50,346,498.28
Gas pipeline project - Jiaxing downtown area pipe network	82,819,850.10		82,819,850.10	58,540,104.65		58,540,104.65
Others	4,522,486.55		4,522,486.55	1,087,636.05		1,087,636.05
Total	151,795,272.78		151,795,272.78	109,974,238.98		109,974,238.98

5.12 Intangible assets

(1) General information of intangible assets

Item	Land use rights	Financial software	Total
I. Initial cost:			
1. Balance at 31 Dec 2016	187,442,277.64	322,900.00	187,765,177.64
2. Increase during the reporting period		41,342.40	41,342.40
(1) Acquisition		41,342.40	41,342.40
(2) Internal research and development			
(3) Business combination			
3. Decrease during the reporting period			
(1) Disposal			
4. Balance at 30 Jun 2017	187,442,277.64	364,242.40	187,806,520.04
II. Accumulated amortization:			
1. Balance at 31 Dec 2016	62,048,529.30	317,929.92	62,366,459.22
2. Increase during the reporting period	3,862,445.29	7,037.10	3,869,482.39
(1) Provision	3,862,445.29	7,037.10	3,869,482.39
3. Decrease during the reporting period			
(1) Disposal			
4. Balance at 30 Jun 2017	65,910,974.59	324,967.02	66,235,941.61
III. Provision for impairment			
1. Balance at 31 Dec 2016			
2. Increase during the reporting period			
(1) Provision			

Item	Land use rights	Financial software	Total
3. Decrease during the reporting period			
(1) Disposal			
4. Balance at 30 Jun 2017			
IV. Carrying amount			
1.Balance at 30 Jun 2017	121,531,303.05	39,275.38	121,570,578.43
2.Balance at 31 Dec 2016	125,393,748.34	4,970.08	125,398,718.42

(2) Land use rights without certificate of title

There is no such item.

5.13 Goodwill

(1) Initial recognition

Investee or Event giving rises to the Goodwill	31 Dec 2016	Increase during the reporting period		Decrease during the reporting period		30 Jun 2017
		Business combination		Disposal		
Jiaxing Jiacheng Construction Development Co., Ltd	396,102.80					396,102.80
Total	396,102.80					396,102.80

(2) Provision for impairment

Investee or Event giving rises to the Goodwill	31 Dec 2016	Increase during the reporting period		Decrease during the reporting period		30 Jun 2017
		Provision		Disposal		
Jiaxing Jiacheng Construction Development Co., Ltd						
Total						

5.14 Long-term deferred expenses

Item	31 Dec 2016	Increase during the reporting period	Amortization during the reporting period	Other decrease during the reporting period	30 Jun 2017
Decoration expences	36,363,871.74	2,930,003.88	4,258,885.16		35,034,990.46
Nanhu LNG station	3,958,467.53		111,506.16		3,846,961.37
Bond issuing expenses	1,221,312.66		193,859.28		1,027,453.38
Others	7,456,038.58	260,196.00	867,677.32		6,848,557.26
Total	48,999,690.51	3,190,199.88	5,431,927.92		46,757,962.47

5.15 Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets before offsetting

Category	30 Jun 2017		31 Dec 2016	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment loss	57,032,180.08	14,258,045.02	58,544,700.92	14,636,175.23
Unrealized intragroup profit				
Deductible losses				
Total	57,032,180.08	14,258,045.02	58,544,700.92	14,636,175.23

(2) Unrecognized deferred tax assets

Category	30 Jun 2017	31 Dec 2016
Deductible temporary differences	2,613,271.79	2,526,571.69
Deductible losses		
Total	2,613,271.79	2,526,571.69

5.16 Short-term borrowings

(1) Disclosure of short-term borrowings by category

Item	30 Jun 2017	31 Dec 2016
Pledge loans	123,500,000.00	
Credit loans	219,500,000.00	219,500,000.00
Total	343,000,000.00	219,500,000.00

(2) Note: A description of overdue short-term borrowings.

Total amount of overdue short-term borrowings amounted to CNY 0 yuan.

(3) Credit loans

Borrowing unit	Amount of loan	Loan bank
Jiaxing City Construction Investment Co., Ltd.	26,000,000.00	CCB
Jiaxing City Construction Investment Co., Ltd.	38,500,000.00	ICBC
Jiaxing City Construction Investment Co., Ltd.	50,000,000.00	Agricultural Bank of China
Jiaxing City Construction Investment Co., Ltd.	100,000,000.00	CITIC Bank
Jiaxing City Investment and Development Group Co., Ltd.	5,000,000.00	CCBC Jiaxing branch
Total	219,500,000.00	

(4) Pledge loans

Borrowing unit	Pledgeing unit	Loan bank	Amount of loan	The pledged subject
Jiaxing silver land new rural development Investment Co., Ltd.	Jiaxing nanhu district wantong new rural construction and development co. LTD	Bank of Huzhou	123,500,000.00	Certificates of deposit

5.17 Bills payables

(1) Disclosure of bills payables by category

Items	30 Jun 2017	31 Dec 2016
Bank acceptance bills		1,680,000.00
Commercial acceptance bills		
Total		1,680,000.00

(2) At 30 June 2017, bills payables matured but not yet paid amounted is CNY0 yuan.

5.18 Accounts payable

(1) Accounts payable categorized by age：

Item	30 Jun 2017	31 Dec 2016
Within one year	8,571,277.03	54,101,644.96
1-2 years	19,263,484.47	49,603,588.59
2-3 years	49,567,151.82	18,529,322.70
Over 3 years	48,492,238.39	41,607,332.23
Total	125,894,151.71	163,841,888.48

(2) Indications of nature or content of material accounts payable：

Item	Balance at 30 Jun 2017	Age	Nature
Zhongyuan Construction Group Co., Ltd.	16,682,829.02	1-2 years	Project payables
Jiaxing Nanhu Real Estate Development Co., Ltd.	10,195,867.08	1-2 years	Real Estate payables
China oil pipeline inspection technology co. Ltd	3,941,088.00	Within one year	Material payables
Jiaxing Hengxin Power Construction Co., Ltd.	2,905,923.00	Over 3 years	Project payables
Suzhou Cultural Heritage Ancient Construction Engineering Co., Ltd.	2,767,662.00	Over 3 years	Project payables
Total	36,493,369.10		

5.19 Receipt in advance

Categorized by age：

Item	30 Jun 2017	31 Dec 2016
Within one year	120,313,405.19	278,493,853.17

Item	30 Jun 2017	31 Dec 2016
1-2 years	6,272,917.11	27,053,718.07
2-3 years	10,526,747.38	18,121,992.61
Over 3 years	27,576,173.36	13,840,679.00
Total	164,689,243.04	337,510,242.85

5.20 Employee benefits payable

(1) Detail of Payroll payable:

Item	31 Dec 2016	Increase during the reporting period	Decrease during the reporting period	30 Jun 2017
I. Short-term employee benefits	22,790,349.46	48,824,613.78	68,678,398.28	2,936,564.96
II. Post-employment benefits-defined contribution plans		2,188,730.28	2,188,730.28	
III. Termination benefits				
IV. Other benefits due within one year				
Total	22,790,349.46	51,013,344.06	70,867,128.56	2,936,564.96

(2) Detail of Short-term remuneration

Item	31 Dec 2016	Increase during the reporting period	Decrease during the reporting period	30 Jun 2017
I. Salaries, bonuses, allowances and subsidies	22,204,347.87	40,506,726.90	59,930,499.77	2,780,575.00
II. Employee benefits	429,601.63	2,000,797.96	2,430,399.59	
III. Social insurance		3,057,141.01	3,057,141.01	
Including: Health insurance		2,888,776.74	2,888,776.74	
Injury insurance		93,946.50	93,946.50	
Birth insurance		74,417.77	74,417.77	
……				

Item	31 Dec 2016	Increase during the reporting period	Decrease during the reporting period	30 Jun 2017
IV. Housing accumulation fund	1,076.00	2,745,411.00	2,745,821.00	666.00
V. Labour union funds and employee education funds	155,323.96	514,536.91	514,536.91	155,323.96
VI. Short-term absence pay				
VII. Short-term profit sharing plan				
……				
Total	22,790,349.46	48,824,613.78	68,678,398.28	2,936,564.96

(3) Detail of Defined contribution plans

Item	31 Dec 2016	Increase during the reporting period	Decrease during the reporting period	30 Jun 2017
1.Basic endowment insurance		2,017,900.43	2,017,900.43	
2.Unemployment insurance		170,829.85	170,829.85	
3. Enterprise annuity				
Total		2,188,730.28	2,188,730.28	

5.21 Taxes payable

Items	30 Jun 2017	31 Dec 2016
Value added tax (VAT)	2,476,319.82	5,873,873.90
Business tax	121,945.47	104,028.73
Enterprise income tax	621,678.01	692,211.31
Personal income tax	10,508.27	-25,882.45
Urban maintenance and construction tax	197,326.69	87,212.11
Real estate tax	1,600,692.27	2,260,760.02
Stamp duty	34,066.56	3,761.05
Land usage tax	173,864.46	147,922.20
Land value-added tax		
Others	316.89	316.89
Educational surcharge	422,040.12	340,229.94
Water project construction fund	3,516.06	2,264.68
Total	5,662,274.62	9,486,698.38

5.22 Interest payable

Item	30 Jun 2017	31 Dec 2016
Interest on long-term borrowings withinstallment interest payments and the repayment of the principal at maturity	3,268,496.74	4,427,967.03
Interest on short-term borrowings	6,041.67	6,645.84
Bond interest payable	10,194,027.78	40,932,100.00
Commercial Paper interest		6,889,315.07
Medium-term bills interest	24,259,452.05	21,369,620.55
Interest of non-public directional financing instrument	18,658,356.16	8,393,424.66
Total	56,386,374.40	82,019,073.14

5.23 Other payables

(1) Other payables categorized by age：

Item	30 Jun 2017	31 Dec 2016
Within one year	1,992,143,926.66	1,476,540,177.29
1-2 years	1,392,658,810.44	728,737,144.34
2-3 years	302,670,827.56	305,180,265.56
Over 3 years	444,002,409.15	205,375,772.46
Total	4,131,475,973.81	2,715,833,359.65

(2) Indications of nature and content of material other accounts payable

Unit name	30 Jun 2017	Age	Nature of account
Jiaxing Shiye Asset Investment Group Co., Ltd.	1,533,606,620.55	Within one year、1-2 years	Current account
Land Reserve Center	666,329,000.00	1-2 years、2-3 years、Over 3 years	Current account
Jiaxing xingyuan town construction and development co. Ltd	472,677,300.00	Within one year、Over 3 years	Current account
Jiaxing Xiuzhou District Finance Bureau	100,000,000.00	1-2 years	Current account
Jiaxing High Grade Highway Investment Co. Ltd.	62,930,000.00	1-2 years	Current account
Total	2,835,542,920.55		

5.24 Non-current liabilities due within one year

Item	30 Jun 2017	31 Dec 2016
Long-term borrowings due within one year	817,600,000.00	780,300,000.00
Bonds payable due within one year	950,000,000.00	940,000,000.00
Long-term payables due within one year		
Total	1,767,600,000.00	1,720,300,000.00

5.25 Other current liabilities

Item	30 Jun 2017	31 Dec 2016
Short-term bonds payable		300,000,000.00
Total		300,000,000.00

5.26 Long-term borrowings

(1) Disclosure of long-term borrowings by category

Item	30 Jun 2017	31 Dec 2016
Credit loans	106,509,090.92	8,709,090.92
Guarantee loans	1,176,160,000.00	1,196,160,000.00
Mortgage loans	337,500,000.00	337,500,000.00
Pledge loans	366,000,000.00	386,000,000.00
Mortgage and guarantee loans	368,500,000.00	539,500,000.00
Pledge、mortgage、guaranteed loans		52,500,000.00
Local government debt replacement	200,909,900.00	150,909,900.00
Total	2,555,578,990.92	2,671,278,990.92

(2) Credit loans

Borrowing unit	Creditor	Amount	Including: long-term loan within one year
Jiaxing Nanhu Scenic Spot Development Co., Ltd.	Jiaxing Bureau of Finance	10,909,090.92	4,400,000.00
Jiaxing City Investment and Development Group Co., Ltd	Bank of Ningbo	100,000,000.00	
Subtotal		110,909,090.92	4,400,000.00

(3) Guarantee loans

Borrowing unit	Loan bank	Amount	Gurantee units/individual	Including: long-term loan within one year
Jiaxing Natural Gas Pipe and Mesh Construction Management Co., Ltd.	CCB, Jiaxing branch	195,960,000.00	Jiaxing Traffic Investment Group Co., Ltd.	70,600,000.00
Jiaxing Natural Gas Pipe and Mesh Construction Management Co., Ltd.	Bank of Communications, Jiaxing branch	188,000,000.00	Jiaxing Traffic Investment Group Co., Ltd.、Jiaxing City Construction Investment Co., Ltd	30,000,000.00
Jiaxing Natural Gas Pipe and Mesh Construction Management Co., Ltd.	Bank of Huzhou，Jiaxing branch	50,000,000.00	Jiaxing City Investment and Development Group Co., Ltd	50,000,000.00
Jiaxing Xiuyuan water Investment Group Co., Ltd.	Agricultural Bank of China Jiaxing Xiuzhou branch	114,300,000.00	Jiaxing Xiuzhou District Jiahong State-owned Assets Investment Co., Ltd.	
Jiaxing Xiuyuan water Investment Group Co., Ltd.	Bank of Jiaxing	100,000,000.00	Jiaxing Xiuzhou Industrial Area Xinye Development & Construction Investment Co., Ltd.	
Jiaxing City Construction Investment Co., Ltd	CCB	100,000,000.00	Jiaxing High Grade Highway Investment Co., Ltd.	
Jiaxing City Construction Investment Co., Ltd	CCB	312,500,000.00	Jiaxing High Grade Highway Investment Co., Ltd.	
Jiaxing silver land new rural development Investment Co., Ltd.	Bank of Hangzhou，Jiaxing branch	300,000,000.00	Jiaxing Nanhu New Town Development and Construction Group Co., Ltd.	175,000,000.00

Borrowing unit	Loan bank	Amount	Gurantee units/individual	Including: long-term loan within one year
Jiaxing City Investment and Development Group Co., Ltd	Industrial Bank Co., Ltd	41,000,000.00	Jiaxing High Grade Highway Investment Co., Ltd.	
Jiaxing City Investment and Development Group Co., Ltd	Bank of Communications、Shanghai Pudong Development Bank	100,000,000.00	Jiaxing Culture Mingcheng Investment Group Co., Ltd.	
Subtotal		1,501,760,000.00		325,600,000.00

(4) Mortgage loans

Borrowing unit	Mortgage unit	Loan bank	Mortgage subject	Amount	Including: long-term loan within one year
Jiaxing City Construction Investment Co., Ltd	Jiaxing City Construction Investment Co., Ltd、Jiaxing Yintai Meiwan Xintiandi Investment Management Co., Ltd.	CCB	Usage right of buildings	337,500,000.00	
Subtotal				337,500,000.00	

(5) Pledge loans

Borrowing unit	Pledge unit	Loan bank	Amount	Pledge subject	Including: long-term loan within one year
Jiaxing Nanhu Scenic Spot Development Co., Ltd.	Jiaxing Nanhu Scenic Spot Development Co., Ltd.	CDB	81,600,000.00	Special fund of red tourism	16,600,000.00
Jiaxing Natural Gas Pipe and Mesh Construction Management Co., Ltd.	Jiaxing Natural Gas Pipe and Mesh Construction Management Co., Ltd.	ICBC, Jiaxing branch	351,000,000.00	Natural gas charging right	50,000,000.00
Subtotal			432,600,000.00		66,600,000.00

(6) Mortgage and guarantee loans

Borrowing unit	Mortgage unit	Loan bank	Amount	Mortgage subject	Gurantee units/individual	Including: long-term loan within one year
Jiaxing silver land new rural development Investment Co., Ltd.	Jiaxing Industrial Park Construction Development Co., Ltd.	Agricultural Bank of China, Jiaxing branch	69,500,000.00	Usage right of buildings and land	Jiaxing Nanhu District Xinghe Water Conservancy Construction Investment Co., Ltd.	
Jiaxing City Construction Investment Co., Ltd	Jiaxing Yintai Meiwan Xintiandi Investment Management Co., Ltd.	CMBC，Jiaxing branch	370,000,000.00	Usage right of buildings	Jiaxing City Investment and Development Group Co., Ltd	370,000,000.00
Jiaxing City Construction Investment Co., Ltd	Jiaxing Yintai Meiwan Xintiandi Investment Management Co., Ltd.	CITIC Bank	300,000,000.00	Usage right of buildings	Jiaxing High Grade Highway Investment Co., Ltd.	1,000,000.00
Jiaxing City Construction Investment Co., Ltd	Jiaxing Yintai Meiwan Xintiandi Investment Management Co., Ltd.	CITIC Bank	50,000,000.00	Usage right of buildings	Jiaxing High Grade Highway Investment Co., Ltd.	50,000,000.00
Subtotal			789,500,000.00			421,000,000.00

(7) Local government debt replacement

Borrowing unit	Creditor	Amount	Including: long-term loan within one year
Jiaxing Xiuyuan water Investment Group Co., Ltd.	Jiaxing Bureau of Finance	150,909,900.00	
Jiaxing City Construction Investment Co., Ltd	Jiaxing Bureau of Finance	50,000,000.00	
Subtotal		200,909,900.00	

5.27 Bonds payable

(1) General information of bonds payable

Category	30 Jun 2017	31 Dec 2016
16 Jia Cheng Tou MTN1	600,000,000.00	600,000,000.00
ABS-He Gas 03		180,000,000.00
ABS-He Gas 04	190,000,000.00	190,000,000.00
ABS-He Gas 05	200,000,000.00	200,000,000.00
Total	990,000,000.00	1,170,000,000.00

(2) Changes in bonds payable (except for other financial instruments classified as financial liabilities such as preference shares and perpetual capital securities)

Bonds	Par value	Issue date	Bonds duration	Issue size	31 Dec 2016
12 Jia Cheng Tou MTN1	100.00	Oct. of 2012	5 years	470,000,000.00	470,000,000.00
14 Jiaxing Cheng Tou PPN001	100.00	Aug. of 2014	3 years	300,000,000.00	300,000,000.00
16 Jia Cheng Tou MTN1	100.00	Apr. of 2016	5 years	600,000,000.00	600,000,000.00
ABS-He Gas 03	100.00	Mar. of 2015	3 years	180,000,000.00	180,000,000.00
ABS-He Gas 04	100.00	Mar. of 2015	4 years	190,000,000.00	190,000,000.00
ABS-He Gas 05	100.00	Mar. of 2015	5 years	200,000,000.00	200,000,000.00
Total				1,940,000,000.00	1,940,000,000.00

(Continued)

Bonds	Issue during the reporting period	Accrued interest based on par value	Amortization of premium /discount	Repayment during the reporting period	30 Jun 2017	Including: Bonds payable within one year
12 Jia Cheng Tou MTN1					470,000,000.00	470,000,000.00
14 Jiaxing Cheng Tou PPN001					300,000,000.00	300,000,000.00
16 Jia Cheng Tou MTN1					600,000,000.00	
ABS-He Gas 03					180,000,000.00	180,000,000.00
ABS-He Gas 04					190,000,000.00	
ABS-He Gas 05					200,000,000.00	
Total					1,940,000,000.00	950,000,000.00

5.28 Long-term payables

Disclosure of long-term payables by nature:

Item	30 Jun 2017	31 Dec 2016
Finance lease payable	50,430,000.00	62,860,000.00
Sewage treatment capital - Second issue	31,455,000.00	31,455,000.00
Total	81,885,000.00	94,315,000.00

5.29 Specific payables

Item	31 Dec 2016	Increase during the reporting period	Decrease during the reporting period	30 Jun 2017
Fiscal appropriation （infrastructure construction fund）	955,811,981.14	42,477,740.55	20,233,392.34	978,056,329.35
Total	955,811,981.14	42,477,740.55	20,233,392.34	978,056,329.35

5.30 Paid-in Capital

Investment entity	31 Dec 2016		Increase during the reporting period	Decrease during the reporting period	30 Jun 2017	
	Amount	Proportion of ownership interest			Amount	Proportion of ownership interest
Jiaxing Culture Mingcheng Investment Group Co., Ltd.	2,250,000,000.00	100.00%			2,250,000,000.00	100.00%
Total	2,250,000,000.00	100.00%			2,250,000,000.00	100.00%

5.31 Capital reserve

Item	31 Dec 2016	Increase during the reporting period	Decrease during the reporting period	30 Jun 2017
Capital premium (share premium)				
Other capital reserves	8,246,044,962.95	5,253,370.00		8,251,298,332.95
Total	8,246,044,962.95	5,253,370.00		8,251,298,332.95

Note: Changes and relevant reasons for capital reserve：

Jiaxing City Construction Investment Co., Ltd. received the financial allocation of funds for the Hexing road, Shantytowns reform funds etc., increased capital reserve by

CNY 5,253,370.00 yuan.

5.32 Surplus reserve

Item	31 Dec 2016	Increase during the reporting period	Decrease during the reporting period	30 Jun 2017
Statutory surplus reserve	3,772,640.86			3,772,640.86
Total	3,772,640.86			3,772,640.86

5.33 Retained earnings

Item	Year ended 30 Jun 2017	Year ended 31 Dec 2016
Balance at the end of last period before adjustments	1,771,646,607.35	1,579,064,591.32
Adjustments for the opening balance (increase /(decrease))		-719,312.45
Balance at the beginning of the reporting period after adjustments	1,771,646,607.35	1,578,345,278.87
Add: Net profit attributable to owners of the Company for the reporting period	53,941,663.70	194,935,209.95
Less: Appropriation to statutory surplus reserves		1,633,881.47
Appropriation to discretionary surplus reserves		
Provision for general risk reserves		
Payment of ordinary share dividends		
Ordinary shares dividends converted into share capital		
Balance at the end of the reporting period	1,825,588,271.05	1,771,646,607.35

5.34 Revenue and cost of sales

(1) Revenue and cost of sales：

Item	Year ended 30 Jun 2017		Year ended 30 Jun 2016	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal activities	1,324,072,496.80	1,148,421,063.23	694,708,816.58	581,873,690.11
Other activities	10,449,732.63	4,021,840.47	523,112.60	136,489.50
Total	1,334,522,229.43	1,152,442,903.70	695,231,929.18	582,010,179.61

(2) Presentation of revenue and cost of sales by categories：

Category	Year ended 30 Jun 2017		Year ended 30 Jun 2016	
	Revenue	Cost of sales	Revenue	Cost of sales
Engineering settlement	3,943,991.92	6,789,873.10	8,985,570.26	10,720,078.05
Sales of commercial property	573,711,761.75	482,154,340.29	71,377,900.61	44,789,414.87
Natural gas, gas and assort sales	625,810,412.42	605,783,709.57	488,016,603.81	482,615,845.95
Tours, guest rooms, catering, rental, security services	99,539,811.47	43,660,141.11	79,339,461.98	36,450,844.99
Others	31,516,251.87	14,054,839.63	22,900,918.84	7,433,995.75
Total	1,334,522,229.43	1,152,442,903.70	670,620,455.50	582,010,179.61

5.35 Taxes and surcharges

Item	Year ended 30 Jun 2017	Year ended 30 Jun 2016
property tax	5,166,117.49	5,274,616.78
Land value-added tax	10,843,283.38	1,321,812.80
Business tax	684,594.71	4,206,948.07
Urban maintenance and construction tax	2,506,842.98	812,732.32
Educational surcharge	1,790,240.22	580,493.16
water construction funds	28,671.93	101,412.58
Stamp duty	87,444.19	139,818.36
Land use tax	75,788.10	118,259.40
Others	1,513,298.13	3,044.43
Total	22,696,281.13	12,559,137.90

Other instructions: Since 1 May 2016, property tax, land use tax, vehicle and vessel tax, stamp duty and so on reclassified and accounted from general and administrative expenses to taxes and additional, do not retroactively adjust the amount of the previous period.

5.36 Finance costs

Item	Year ended 30 Jun 2017	Year ended 30 Jun 2016
Interest expenses	33,183,710.25	23,091,193.01
Less: Interest income	1,414,831.06	1,979,143.11
Net interest expenses	31,768,879.19	21,112,049.90
Foreign exchange losses		
Less: Foreign exchange gains		
Net foreign exchange losses		
Bank charges	364,277.04	255,642.32
Total	32,133,156.23	21,367,692.22

5.37 Impairment losses

Item	Year ended 30 Jun 2017	Year ended 30 Jun 2016
I. Bad debt of receivables	-1,425,682.68	-352,594.82
II. Stock obsolescence		
III. Impairment of available-for-sale financial assets		
IV. Impairment of held-to-maturity investments		
V. Impairment of long-term equity investments		
VI. Impairment of investment properties		
VII. Impairment of fixed assets		
VIII. Impairment of construction materials		
IX. Impairment of construction in progress		
X. Impairment of productive biological assets		
XI. Impairment of oil and gas assets		
XII. Impairment of intangible assets		
XIII. Impairment of goodwill		
XIV. Others		
Total	-1,425,682.68	-352,594.82

5.38 Income from investment

Item	Year ended 30 Jun 2017	Year ended 30 Jun 2016
Investment income from long-term equity investments under equity method	-8,489,376.37	
Gains on disposal of long-term equity investments		
Investment income from financial assets at fair value through profit or loss during holding period		
Gains on disposal of financial assets at fair value through profit or loss		
Investment income from held-to-maturity investments during holding period		
Investment income from available-for-sale financial assets during holding period		
Gains on disposal of available-for-sale financial assets		
Gains on the remeasurement of the remaining interest at fair value at the date of loss of control		
Others	2,626,937.49	197,274.77
Total	-5,862,438.88	197,274.77

5.39 Other gains

Source of other gains	Year ended 30 Jun 2017	Year ended 30 Jun 2016
Special funds for tourism subsidies in zhejiang province	100,000.00	
Subsidies for the central tourism development fund	100,000.00	
Level above channel and scale river cleaning district level subsidy funds	153,020.00	
Development potential award	20,000.00	
Total	373,020.00	

5.40 Non-operating income

Item	Year ended 30 Jun 2017	Year ended 30 Jun 2016	Recognized inextraordinary gains and losses
Gains on disposal of non-current assets	423,836.53		423,836.53
Including: Gains on disposal of fixed assets	423,836.53		423,836.53

Item	Year ended 30 Jun 2017	Year ended 30 Jun 2016	Recognized inextraordinary gains and losses
Gains on disposal of intangible assets			
Gains on debt restructuring			
Gains on exchange of non-monetary assets			
Receiving donations			
Government grants		300,000.00	
Others	907,915.70	584,088.06	907,915.70
Total	1,331,752.23	884,088.06	1,331,752.23

5.41 Non-operating expenses

Item	Year ended 30 Jun 2017	Year ended 30 Jun 2016	Recognized in extraordinary gains and losses
Losses on disposal of non-current assets			
Including: Losses on disposal of fixed assets			
Losses on disposal of intangible assets			
Losses on debt restructuring			
Losses on exchange of non-monetary assets			
Donations			
Water construction funds		449,572.83	
Amercement expenditure			
Others	328,421.36	37,277.15	328,421.36
Total	328,421.36	486,849.98	328,421.36

5.42 Income tax expense

Item	Year ended 30 Jun 2017	Year ended 30 Jun 2016
Current tax expenses	1,776,172.26	1,378,393.69
Deferred tax expenses	378,130.21	88,148.71
Total	2,154,302.47	1,466,542.39

5.43 Supplementary information to the statement of cash flow

(1) Supplementary information to the statement of cash flows

Supplementary information	Year ended 30 Jun 2017	Year ended 30 Jun 2016
1. Adjustments of net profit to cash flows from operating activities:		
Net profit	51,464,190.66	6,923,360.30
Add: Provisions for impairment of assets	-1,425,682.68	-352,594.82
Depreciation of fixed assets, oil and gas asset and productive biological assets	38,304,489.43	35,730,523.46
Amortization of intangible assets	3,869,482.39	697,875.12
Amortization of long-term deferred expenses	5,431,927.92	5,432,189.76
Losses /(gains) on disposal of fixed assets, intangible assets and other long-term assets	-423,836.53	
Losses /(gains) on scrapping of fixed assets		
Losses /(gains) on changes in fair value）		
Finance costs /(income) recognised in profit or loss	33,183,710.25	23,091,193.01
Investment losses /(income) recognised in profit or loss	5,862,438.88	-197,274.77
Decreases /(increases) in deferred tax assets	378,130.21	3,887,873.45
Increases /(decreases) in deferred tax liabilities		-504,000.00
Decreases /(increases) in inventories	-177,878,430.18	-386,493,797.04
Decreases /(increases) in operating receivables	-440,651,456.66	739,221,414.26
Increases /(decreases) in operating payables	1,302,652,999.46	-304,734,019.57
Others		
Net cash flows from operating activities	820,767,963.15	122,702,743.16
2. Significant investing and financing activities not involving cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets acquired under finance leases		
3. Net increases in cash and cash equivalents:		
Cash at the end of the reporting period	1,744,819,035.79	1,905,769,569.83
Less: Cash at the beginning of the reporting period	1,742,651,975.40	1,354,287,711.17
Add: Cash equivalents at the end of the reporting period		
Less: Cash equivalents at the reporting beginning of the		
Net increase in cash and cash equivalents	2,167,060.39	551,481,858.66

(2) Net cash payments for acquisition of subsidiaries

There is no such item.

(3) Net cash receipts from disposals of subsidiaries

There is no such item.

(4) The components of cash and cash equivalents

Item	30 Jun 2017	31 Dec 2016
I. Cash	1,744,819,035.79	1,742,651,975.40
Including: Cash on hand	147,899.27	121,006.96
Cash in bank available forimmediate use	1,744,671,136.52	1,742,530,968.44
Other monetary funds available forimmediate use		
Due from central banks available for immediate use		
Due from other banks		
Interbank lending		
II. Cash equivalents		
Including: Bond investments maturing within three months		
III.Cash and cash equivalents at the end of the reporting period	1,744,819,035.79	1,742,651,975.40

5.44 Restricted assets

Item	30 Jun 2017	Reason
Fixed assets	9,359,205.66	Mortgaged
Investment properties	512,254,584.56	Mortgaged
Total	521,613,790.22	

5.45 Others

There is no such item.

Note 6. Changes in the scope of consolidation

6.1 Business combination not under common control

There is no such item.

6.2 Business combination under common control

There is no such item

6.3 Reverse purchase

There is no such item.

6.4 Disposal of subsidiaries

There is no such item.

6.5 Other situations leading to changes in the scope of consolidation

Name of subsidiary	Ways to acquire subsidiary	Equity acquisition time	amount of contribution	Proportion of ownership interest
Jiaxing nanhu hongyuan cultural development co. Ltd	set up	2017/2/28	100,000.00	100.00%

Note 7. Interests in other entities

7.1 Interests in subsidiaries

(a) The constitution of Enterprise Group

Name of subsidiary	Main place of operation	Registered place	Nature of business	Percentage of shareholding by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Jiaxing City Construction Investment Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Urban infrastructure investment and construction	100.00		set up
Jiaxing city construction real estate development Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Real estate development		100.00	set up
Jiaxing Jiacheng Huanyi Property Management Co. Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Property management		100.00	set up
Jiaxing City Village catering Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	food and beverage management		100.00	set up
Jiaxing Jiacheng Construction Development Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Urban infrastructure investment and construction		100.00	buy in
Jiaxing City River Inn Co. Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Hotel (accommodation)		100.00	set up
Jiaxing Yintai Meiwan Xintiandi Investment	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Investment management,		100.00	buy in

Name of subsidiary	Main place of operation	Registered place	Nature of business	Percentage of shareholding by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Management Co., Ltd.			enterprise management			
Jiaxing Nanhu Scenic Spot Development Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Investment and development of Nanhu scenic spot	100.00		set up
Jiaxing City Yingzhou Ancient Garden Construction Co. Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	virescence project's construction		100.00	set up
Jiaxing housing levy Service Center	Jiaxing, Zhejiang	Jiaxing, Zhejiang	house expropriation and compensation	100.00		set up
Jiaxing Jiacheng Housebreaking Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	House demolition	100.00		set up
Jiaxing Nanhu Construction Development General Corporation	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Urban infrastructure construction	100.00		transferred
Real estate Jiaxing central construction and development company	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Urban infrastructure construction	100.00		transferred
Old city renewal headquarters	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Urban infrastructure construction	100.00		transferred
Jiaxing City Development Office	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Urban infrastructure construction	100.00		transferred
Jiaxing silver land new rural development Investment Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Investment and construction of country infrastructure	100.00		transferred
Jiaxing Nanhu Traffic Construction Investment Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Traffic infrastructure investment and development	100.00		transferred
Willow Bay farmers' market	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Market management	100.00		transferred

Name of subsidiary	Main place of operation	Registered place	Nature of business	Percentage of shareholding by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Jiaxing Tourism Development Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Development and construction of tourism resources	100.00		set up
Jiaxing Natural Gas Pipe and Mesh Construction Management Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Supply and sale of natural gas	100.00		set up
Jiaxing Shalong International Hotel Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Hotel (accommodation)		75.32	set up
Jiaxing Xiuyuan water Investment Group Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Investment, construction and development of water conservancy social public welfare projects	100.00		transferred
Jiaxing Xiuzhou District sewage treatment Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Management of sewage collection network		100.00	transferred
Jiaxing Xiuzhou District Jie Feng Emissions Trading Service Co. Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	emission rights trading management services		100.00	transferred
Jiaxing Xiu Yuan tap water operation management Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Operation management and service of water supply network		100.00	transferred
Jiaxing Xiu Yuan dredging Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Road dredging		100.00	transferred
Jiaxing Xiuzhou District Security Service Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Security service		100.00	transferred

Name of subsidiary	Main place of operation	Registered place	Nature of business	Percentage of shareholding by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Jiaxing Xiu'an electronic technology Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Research and development of electronic technology service		100.00	set up
Jiaxing nanhu hongyuan cultural development co. Ltd	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Culture and Arts		100.00	set up

(b) Important non-wholly-owned subsidiary

Name of subsidiary	Percentage of shareholding of minority shareholders	Profit or loss attributable to non-controlling interests during the reporting period	Dividends paid to non-controlling interests during the reporting period	Non-controlling
Jiaxing Shalong International Hotel Co., Ltd.	24.68%	-2,477,473.04		9,089,179.90

(c) The main financial information of important non-wholly-owned subsidiaries

Name of subsidiary	30 Jun 2017					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Jiaxing Shalong International Hotel Co., Ltd.	13,378,653.37	215,271,027.15	228,649,680.52	191,821,560.99		191,821,560.99

(Continued)

Name of subsidiary	31 Dec 2016					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Jiaxing Shalong International Hotel Co., Ltd.	15,026,310.78	222,404,696.90	237,431,007.68	190,564,504.68		190,564,504.68

Name of subsidiary	Year ended 30 Jun 2017			
	Revenue	Net profit/(loss) for the year	Total comprehensive income for the year	Net cash flows from operating activities
Jiaxing Shalong International Hotel Co., Ltd.	18,861,117.31	-10,038,383.47	-10,038,383.47	785,821.57

(Continued)

Name of subsidiary	Year ended 30 Jun 2016			
	Revenue	Net profit/(loss) for the year	Total comprehensive income for the year	Net cash flows from operating activities
Jiaxing Shalong International Hotel Co., Ltd.	24,647,473.68	-6,187,000.90	-6,187,000.90	22,499,633.72

7.2 Interests in joint arrangements or associates

(a) Material joint ventures or associates

Company name	Main place of operation	Registered place	Nature of business	Percentage of shareholding by the Company (%)		Measurement methods
				Direct	Indirect	
Joint venture						
Jiaxing Tourism Collector-Distributor Center Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Tourism business	30.00		Equity method
Zhejiang Qing Yuan Tourism Development Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Development and management of tourism resources	32.76		Equity method
Jiaxing Gas Group Co. Ltd	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Sales for natural gas and liquefied petroleum gas	32.76		Equity method

(b) The main financial information of the important joint ventures

There is no such item.

Note 8. Related parties and related party transactions

8.1 Parent company of the Company

Name	Registered address	Nature of the business	Registered capital	Shareholdings in the Company (%)	Voting rights in the Company (%)
Jiaxing Culture Mingcheng Investment Group Co., Ltd.	Jiaxing, Zhejiang	Investment, management and management of state-owned assets	2,036,000,000.00	100.00	100.00

Jiaxing People's government state-owned assets supervision and management committee.

8.2 Basic information of subsidiaries

Details of the subsidiaries please refer to Notes 7. Interests in other entities.

8.3 Joint ventures and associates of the Company

(a) Basic information of significant joint ventures and associates

Details of significant joint ventures and associates please refer to Notes 7. Interests in other entities.

8.4 Other related parties of the Company

Name	Relationship with the Company
Jiaxing Xiangjiadang Investment Co., Ltd.	Same actual controller
Zhejiang Jiaxing Xiangjia Lake development and Construction Co., Ltd.	Same actual controller

8.5 Receivables and payables with related parties

(a) Receivables

Items	Related parties	30 Jun 2017		31 Dec 2016	
		Book value	Bad debt provision	Book value	Bad debt provision
Other receivables					
	Jiaxing Culture Mingcheng Investment Group Co., Ltd.	741,186,463.52		691,174,584.52	
	Jiaxing Xiangjiadang Investment Co., Ltd.	255,817,182.57		255,817,182.57	

Items	Related parties	30 Jun 2017		31 Dec 2016	
		Book value	Bad debt provision	Book value	Bad debt provision
	Zhejiang Jiaxing Xiangjia Lake development and Construction Co., Ltd.	279,032,978.41		279,032,978.41	

(b) Payables

Items	Related parties	30 Jun 2017	31 Dec 2016
Other payables			
	Jiaxing Culture Mingcheng Investment Group Co., Ltd.	16,603,300.00	16,603,300.00

8.6 Commitments with related parties

There is no such item.

8.7 Others

There is no such item.

Note 9. Commitments and contingencies

9.1 Significant commitments

As at 30st June 2017, the Company has no significant commitments need to be disclosed.

9.2 Contingencies

Provision of guarantee to other companies

Guarantor	Guarantee	Guaranty Bank	Amount (RMB 000)	Whether the guarantee has been fulfilled
Jiaxing City Construction Investment Co., Ltd.	Jiaxing Jiatong Passenger Transportation Changzhan Investment Development Co., L td.	Bank of Communications	76,300.00	Not yet
Jiaxing City Construction Investment Co., Ltd.	Jiaxing Lianhe sewage treatment Co., Ltd.	Agricultural Bank China	10,000.00	Not yet

Jiaxing City Construction Investment Co., Ltd.	Jiaxing Jia Yuan Water Supply and Drainage Co., Ltd.	Agricultural Bank China	124,770.00	Not yet
Jiaxing City Construction Investment Co., Ltd.	Jiaxing Economic Development Zone Construction Development Co., Ltd.	Caitong Securities Co., Ltd.	360,000.00	Not yet
Jiaxing City Construction Investment Co., Ltd.	Jiaxing International Business District Investment & Construction Co., Ltd.	China Construction Bank	78,000.00	Not yet
Jiaxing City Construction Investment Co., Ltd.	Jiaxing Traffic Investment Group Co., Ltd.	China Construction Bank	100,000.00	Not yet
Jiaxing City Construction Investment Co., Ltd.	Jiaxing Economic Development Zone Construction Development Co., Ltd.	Zhejiang International Trust & Investment Company Ltd.	500,000.00	Not yet
Jiaxing City Investment and Development Group Co., Ltd.	Jiaxing High Grade Highway Investment Co., Ltd.	Minsheng Bank of China	400,000.00	Not yet
Jiaxing City Investment and Development Group Co., Ltd.	Jiaxing Xiangjiadang Investment Co., Ltd.	BOC International (China) Limited	300,000.00	Not yet

9.3 Others

There is no such item.

Note 10. Events after the reporting period

There is no such item.

Note 11. Other significant matters

There is no such item.

Note 12. Notes to the main items in the financial statements of the Company

12.1 Other receivables

(1) Disclosure of accounts receivable by category

Item	30 Jun 2017				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individually significant balance and recognised provision for bad debt individually					
Other receivables with bad debt provision recognised collectively by similar credit risk characteristics	1,756,480,376.56	100.00			1,756,480,376.56
Combination 1：	1,756,480,376.56	100.00			1,756,480,376.56
Combination 2：					
Other receivables with individually insignificant balance but recognised provision for bad debt individually					
Total	1,756,480,376.56	100.00			1,756,480,376.56

(Continued)

Item	31 Dec 2016				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individually significant balance and recognised provision for bad debt individually					
Other receivables with bad debt provision recognised collectively by similar credit risk characteristics	1,971,138,591.18	100.00			1,971,138,591.18
Combination 1：	1,971,138,591.18	100.00			1,971,138,591.18

Item	31 Dec 2016				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Combination 2：					
Other receivables with individually insignificant balance but recognised provision for bad debt individually					
Total	1,971,138,591.18	100.00			1,971,138,591.18

①Other receivables with individually significant balance and recognised provision for bad debt individually:

There is no such item.

②Details of accounts receivable in combination 1：

Unit name	Other receivables	Provision for bad debt	Provision ratio (%)	Reason
Jiaxing Culture Mingcheng Investment Group Co., Ltd.	157,400,000.00			The risk of bad debt is low
Jiaxing Nanhu City Construction Investment Group Co., Ltd.	41,000,000.00			The risk of bad debt is low
Jiaxing City Construction Investment Co., Ltd.	1,557,427,728.63			The risk of bad debt is low
Others	652,647.93			The risk of bad debt is low
Subtotal	1,756,480,376.56			

(2) Provision, recovery or reversal of bad debt

There is no such situtaiton.

(3) Other receivables written-off during the reporting period

There is no such situtaiton.

(4) Disclosure of Larger closing balances by entity:

Unit name	Nature	Carrying amount	Age	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Jiaxing City Construction Investment Co., Ltd.	Current account	1,557,427,728.63	Within one year、1 to 2 years	88.67	
Jiaxing Culture Mingcheng Investment Group Co., Ltd.	Current account	157,400,000.00	Within one year、Over 3 years	8.96	
Jiaxing Nanhu City Construction Investment Group Co., Ltd.	Current account	41,000,000.00	Over 3 years	2.33	
Total		1,755,827,728.63		99.96	

12.2Long-term equity investment

Item	30 Jun 2017			31 Dec 2016		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Subsidiaries	7,280,992,002.31		7,280,992,002.31	7,280,992,002.31		7,280,992,002.31
Joint ventures and associates	97,573,021.69		97,573,021.69	86,062,398.06		86,062,398.06
Total	7,378,565,024.00		7,378,565,024.00	7,367,054,400.37		7,367,054,400.37

(1) Investments in subsidiaries

Investee	31 Dec 2016	Increase	Decrease	30 Jun 2017	Provision for impairment during the reporting period	Provision for impairment at 30 Jun 2017
Jiaxing City Construction Investment Co., Ltd.	5,035,767,655.42			5,035,767,655.42		
Jiaxing Jiacheng	10,118,840.43			10,118,840.43		

Investee	31 Dec 2016	Increase	Decrease	30 Jun 2017	Provision for impairment during the reporting period	Provision for impairment at 30 Jun 2017
Housing Demolition Co., Ltd.						
Jiaxing Tourism Development Co., Ltd.	14,098,595.64			14,098,595.64		
Jiaxing Natural Gas Pipe and Mesh Construction Management Co., Ltd.	271,519,562.52			271,519,562.52		
Jiaxing Nanhu Scenic Spot Development Co., Ltd.	101,101,207.85			101,101,207.85		
Jiaxing Nanhu Construction Development General Corporation	114,278,328.19			114,278,328.19		
Old city renewal headquarters	393,800,294.56			393,800,294.56		
Jiaxing City Development Office	5,334,694.98			5,334,694.98		
Jiaxing housing levy Service Center	5,000,000.00			5,000,000.00		
Jiaxing silver land new rural development Investment Co., Ltd.	163,641,840.07			163,641,840.07		
Jiaxing Nanhu Traffic Construction Investment Co., Ltd.	439,301,405.64			439,301,405.64		
Jiaxing Xiuyuan water Investment Group Co., Ltd.	727,029,577.01			727,029,577.01		
Total	7,280,992,002.31			7,280,992,002.31		

(2) Investments in joint ventures and associates

Investee	31 Dec 2016	Changes during the reporting period				
		Increase during the reporting period	Decrease during the reporting period	Gains /(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
I. Joint ventures						
Jiaxing Tourism Collector-Distributor Center Co., Ltd.	479,748.64					
Jiaxing Gas Group Co. Ltd	74,561,688.17			-828,972.69		
Zhejiang Qing Yuan Tourism Development Co., Ltd.	11,020,961.25			-7,476,368.02		
Zhongdianke jiaxing new intelligent city technology development co. Ltd		20,000,000.00		-184,035.66		
Total	86,062,398.06	20,000,000.00		-8,489,376.37		

(Continued)

Investee	Changes during the reporting period			30 Jun 2017	Provision for impairment at 31 Dec 2016
	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
I. Joint ventures					
Jiaxing Tourism Collector-Distributor Center Co., Ltd.				479,748.64	
Jiaxing Gas Group Co. Ltd				73,732,715.48	
Zhejiang Qing Yuan Tourism Development Co., Ltd.				3,544,593.23	
Zhongdianke jiaxing new intelligent city technology development co. Ltd				19,815,964.34	
Total				97,573,021.69	

12.3 Income from investment

Item	Year ended 30 Jun 2017	Year ended 30 Jun 2016
Investment income from long-term equity investments under cost method		
Investment income from long-term equity investments under equity method	-8,489,376.37	
Gains on disposal of long-term equity investments		
Investment income from financial assets at fair value through profit or loss during the holding period		
Gains on disposal of financial assets at fair value through profit or loss		
Investment income from held-to-maturity investments during the holding period		
Investment income from available-for-sale financial assets during the holding period		
Gains on disposal of available-for-sale financial assets		
Gains on the remeasurement of the remaining interest at fair value at the date of loss of control		
Total	-8,489,376.37	

Jiaxing City Investment and Development Group Co., Ltd.

Legal representative： Head of accounting department: Head of the accounting firm:

Date：24 April 2017 Date：24 April 2017 Date：24 April 2017

KSZ (2017) No. 3308

Audit Report

To All Shareholders of Jiaxing City Investment and Development Group Co., Ltd.:

We have audited the accompanying financial statements of Jiaxing City Investment and Development Group Co., Ltd. (hereinafter referred to as "the Company"), which comprise the consolidated and the Company's statements of financial position as at 31 December 2016, and the consolidated and the Company's statements of profit or loss and other comprehensive income, the consolidated and the Company's statements of cash flows and the consolidated and the Company's statements of changes in equity for the year then ended, and the notes to the financial statements.

I. Management's Responsibility for the Financial Statements

The preparation and fair presentation of these financial statements is the responsibility of the Company's management. Such responsibility includes: (i) preparing financial statements in accordance with the Accounting Standards for Business Enterprises, and ensuring fair presentation of the financial statements; and (ii) designing, implementing and maintaining the necessary internal control to ensure that the preparation and fair presentation of financial statements are free from material misstatement due to fraud or error.

2. Certified Public Accountants' Responsibility

Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with the China Standard on Auditing issued by the China Institute of Certified Public Accountants. Those standards require us to comply with ethical requirements and to plan and perform the audit to obtain reasonable assurances as to whether the financial statements are free from material misstatement.

An audit involves implementing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. Selection of the procedures depends on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements due to fraud or error. In making risk assessments, the auditor considers internal control in relation to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to give any opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3. Audit Opinion

In our opinion, the financial statements of the Company present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2016, and of their financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Huapu Tianjian Certified Public Accountants LLP

Certified Public Accountant:

Certified Public Accountant:

Beijing, China

24 April 2017

Consolidated Statement of Financial Position
as at 31 December 2016

Prepared by： Jiaxing City Investment and Development Group Co.,Ltd — Unit: Yuan — Currency: CNY

Items	Notes	31 Dec 2016	31 Dec 2015	Items	Notes	31 Dec 2016	31 Dec 2015
Current assets:				**Current liabilities:**			
Monetary Assets	**5.1**	1,743,491,975.40	1,536,952,711.17	Short-term borrowings	**5.18**	219,500,000.00	617,100,000.00
Financial assets at fair value through profit or loss	**5.2**		2,916,000.00	Financial liabilities at fair value through profit or loss			
Derivative financial assets				Derivative financial liabilities			
Bills receivables	**5.3**	-	578,297.10	Bills payables	**5.19**	1,680,000.00	70,990,000.00
Accounts receivable	**5.4**	16,688,254.18	89,531,852.68	Accounts payable	**5.20**	163,841,888.48	393,413,190.29
Prepayment	**5.5**	187,190,461.96	158,321,281.09	Receipt in advance	**5.21**	337,510,242.85	187,535,952.71
Interest receivable				Employee benefits payable	**5.22**	22,790,349.46	20,518,618.71
Dividend receivable				Taxes payable	**5.23**	9,486,698.38	17,931,940.25
Other receivables	**5.6**	2,095,005,004.50	2,746,627,543.56	Interest payable	**5.24**	82,019,073.14	100,574,312.51
Inventory	**5.7**	15,923,955,344.67	15,602,942,568.22	Dividend payable		500,776.46	500,776.46
Assets classified as held-for-sale				Other payables	**5.25**	2,715,833,359.65	2,348,132,150.31
Non-current assets due within one year				Liabilities classified as held for sale			
Other current assets	**5.8**	678,820,484.63	1,439,221,984.20	Non-current liabilities due within one year	**5.26**	1,720,300,000.00	1,873,700,000.00
				Other current liabilities	**5.27**	300,000,000.00	500,000,000.00
Total current assets		**20,645,151,525.34**	**21,577,092,238.02**				
				Total current liabilities		**5,573,462,388.42**	**6,130,396,941.24**
Non-current assets:							
Available-for-sale financial assets	**5.9**	561,833,117.00	429,333,117.00				
Held-to-maturity investment				**Non-current liabilities:**			
Long-term receivables							
Long-term equity investment	**5.10**	86,062,398.05	160,245,770.78	Long-term borrowings	**5.28**	2,671,278,990.92	7,478,309,001.10
Investment properties	**5.11**	521,205,563.75	542,071,686.12	Bonds payable	**5.29**	1,170,000,000.00	1,510,000,000.00
Fixed assets	**5.12**	902,954,642.42	1,598,415,163.68	Including: Preference shares			
Construction in progress	**5.13**	109,974,238.98	306,766,688.64	Perpetual capital securities			
Construction materials				Long-term payables	**5.30**	94,315,000.00	171,669,860.93
Disposal of fixed assets				Long-term employee benefits payable			
Productive biological assets				Special payables	**5.31**	955,811,981.14	936,844,071.86
Oil and gas assets				Estimated liabilities			
Intangible assets	**5.14**	125,398,718.42	159,463,275.16	Deferred income			
Research and development expenditure				Deferred tax liabilities			504,000.00
Goodwill	**5.15**	396,102.80	396,102.80	Other non-current liabilities		274,238,567.25	642,648,244.87
Long-term deferred expenses	**5.16**	48,999,690.51	61,858,701.78	**Total non-current liabilities**		**5,165,644,539.31**	**10,739,975,178.76**
Deferred tax assets	**5.17**	14,636,175.23	17,548,310.36	**Total liabilities**		**10,739,106,927.73**	**16,870,372,120.00**
Other non-current assets		5,525,619.33	5,827,166.04	**Owners' equity**			
Total non-current assets		**2,376,986,266.49**	**3,281,925,982.36**	Paid-in Capital	**5.32**	2,250,000,000.00	2,250,000,000.00
				Other equity instruments			
				Including: Preference shares			
				Perpetual capital securities			
				Capital reserve	**5.33**	8,246,044,962.95	3,960,087,958.39
				Less: Treasury stock			
				Other comprehensive income			
				Specific reserve			
				Surplus reserve	**5.34**	3,772,640.86	2,138,759.39
				General risk reserve			
				Retained earnings	**5.35**	1,771,646,607.35	1,578,345,278.87
				Total owner's equity attributable to parent company		**12,271,464,211.16**	**7,790,571,996.65**
				Non-controlling interests		**11,566,652.94**	**198,074,103.73**
				Total owners' equity		**12,283,030,864.10**	**7,988,646,100.38**
Total assets		**23,022,137,791.83**	**24,859,018,220.38**	**Total liabilities and owners' equity**		**23,022,137,791.83**	**24,859,018,220.38**

Legal representative: Head of accounting department: Head of the accounting firm：

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2016

Prepared by： Jiaxing City Investment and Development Group Co.,Ltd — Unit：Yuan Currency: CNY

Items	Notes	2016	2015
I. Total operating revenue	**5.36**	**1,840,116,454.71**	**2,020,278,264.94**
Including: Operating revenue	**5.36**	1,840,116,454.71	2,020,278,264.94
Interest income			
Guarantee fee income			
Commission and brokerage income			
II. Total operating cost		**1,936,550,964.17**	**2,059,766,681.46**
Including: Operating cost	**5.36**	1,471,740,487.82	1,595,405,204.12
Interest expenses			
Commission and brokerage expenses			
Surrender value			
Net payments for insurance claims			
Net change in guarantee contract liabilities			
Bond insurance expense			
Subcontract expense			
Taxes and surcharges	**5.37**	34,737,237.27	50,962,125.14
Selling expenses		120,646,435.61	116,559,062.47
Administrative expenses		100,636,752.74	160,056,920.51
Financial costs	**5.38**	205,317,687.29	138,434,782.11
Impairment losses	**5.39**	3,472,363.44	-1,651,412.89
Add: gain arising from fair value changes (loss filled in with mark "-")	**5.40**		967,500.00
Income from investment (loss filled in with mark "-")	**5.41**	29,704,642.65	21,327,114.11
Including: share of profit and losses from associates and joint ventures		20,761,996.36	20,039,799.04
Exchange gain (loss filled in with mark "-")			
Other gains (losses are filled with "-")			
III. Operating profit (loss filled in with mark "-")		**-66,729,866.81**	**-17,193,802.41**
Add: Non-operating income	**5.42**	260,013,031.92	259,272,333.52
Including: gain on dispossal of non-current assets		45,975.47	119,999.23
Less: Non-operating expenses	**5.43**	558,786.24	2,903,285.45
Including: loss on disposal of non-current assets		42,123.45	670,196.62
IV. Total profits (total loss filled in with mark “-”)		**192,724,378.87**	**239,175,245.66**
Less: income tax expense	**5.44**	1,726,231.49	35,501,389.29
V. Net profits (net loss filled in with mark "-")		**190,998,147.38**	**203,673,856.37**
Net profits attributed to equity owners of the Company		194,935,209.95	182,462,304.80
Non-controlling interest		-3,937,062.57	21,211,551.57
VI. Other comprehensive income, net of tax		-	-
Other comprehensive income after tax attributable to equity owners of the Company		-	-
(1) Other comprehensive income that cannot be reclassified to the profit and loss		-	-
1. Net change in indebtedness or assets of defined benefit plans			
2. Share of other comprehensive income of the investee recognised under equity method that cannot be classified to profit and loss			
(2) Other comprehensive income that will be reclassified to the profit and loss		-	-
1. Share of other comprehensive income that will be classified to profit and loss under equity method			
2. Gain/loss from change in fair value of available-for-sale financial assets			
3. Gain/loss from re-classficiation of investments held to maturity as financial assets available for sale			
4. Effective portion of gain / loss from cash flow hedging			
5. Exchange difference on translating financial statements in foreign currency			
6. Others			
Other comprehensive income after tax attributable to non-controlling interest			
VII. Total comprehensive income		190,998,147.38	203,673,856.37
Total comprehensive incomes attributable to equity owners of the Company		194,935,209.95	182,462,304.80
Total comprehensive incomes attributable to non-controlling interest		-3,937,062.57	21,211,551.57
VIII. Earning per share			
Basic earnings per share			
Diluted earnings per share			

Legal representative: Head of accounting department: Head of the accounting firm:

Consolidated Statement of Cash Flows

for the year ended 31 December 2016

Prepared by：Jiaxing City Investment and Development Group Co.,Ltd　　Unit：Yuan　Currency: CNY

Items	Notes	Current period amount	Previous period amount
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		2,106,393,750.39	1,971,913,849.34
Tax and levies refunded		237,995.88	26,805.21
Cash received from other operating activities		2,662,736,418.53	1,099,911,731.13
Sub-total of cash inflows from operating activities		4,769,368,164.80	3,071,852,385.68
Cash payments for goods purchased and services received		1,864,346,900.60	1,902,838,634.46
Cash paid to or payments on behalf of employees		121,572,515.92	146,442,040.52
Payments of various taxes and levies		105,588,909.82	116,187,675.04
Cash paid for other operating activities		1,246,838,239.04	538,460,163.26
Sub-total of cash outflows from operating activities		3,338,346,565.38	2,703,928,513.28
Net cash flows from operating activities		**1,431,021,599.42**	**367,923,872.40**
II. Cash flows from investing activities			
Cash received from disposal of investments		1,425,000,000.00	125,125,000.00
Receipt of returns from investments		28,597,146.29	11,012,369.42
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		387,036.76	485,450.83
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investment activities		-	27,353,297.98
Sub-total of cash inflows from investing activities		1,453,984,183.05	163,976,118.23
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		58,909,597.63	312,926,990.59
Cash paid for investments		676,378,750.00	1,456,573,100.00
Net cash paid for acquisition of subsidiaries and other business units			
Cash paid for other investment activities		142,498,160.50	
Sub-total of cash outflows from investing activities		877,786,508.13	1,769,500,090.59
Net cash flows from investing activities		**576,197,674.92**	**-1,605,523,972.36**
III. Cash flows from financing activities			
Cash received from investors			
Inception of borrowings		1,152,542,208.00	5,270,174,392.00
Cash received from other financing activities		2,513,920,990.54	101,521,670.32
Sub-total of cash inflows from financing activities		3,666,463,198.54	5,371,696,062.32
Repayments of borrowings		4,852,086,684.18	4,732,318,258.07
Dividend, profits appropriation and interest payment settled by cash		432,391,524.47	802,517,644.49
Cash paid for other financing activities		840,000.00	13,665,000.00
Sub-total of cash outflows from financing activities		5,285,318,208.65	5,548,500,902.56
Net cash flows from financing activities		**-1,618,855,010.11**	**-176,804,840.24**
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase / (decrease) in cash and cash equivalents		**388,364,264.23**	**-1,414,404,940.20**
Add: Beginning balance of cash and cash equivalents		**1,354,287,711.17**	**2,768,692,651.37**
VI. Cash and cash equivalents at the end of the period		**1,742,651,975.40**	**1,354,287,711.17**

Legal representative:　　Head of accounting department:　　Head of the accounting firm：

Consolidated Statement of Changes in Owners' Equity

for the year ended 31 December 2016

Prepared by： Jiaxing City Investment and Development Group Co.,Ltd — Unit：Yuan Currency: CNY

Items	Current period												
	Equity attributable to owners of the holding company											Non-controlling interests	Total owners' equity
	Paid-in Capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings		
		Preference shares	Perpetual capital securities	Others									
I. Balance at 31 December 2016	2,250,000,000.00	-	-	-	3,960,087,958.39	-	-	-	2,138,759.39	-	1,578,345,278.87	198,074,103.73	7,988,646,100.38
Add：Changes in accounting policy													-
Correction of prior period errors													-
Business combination under common control													-
Others													-
II. Balance at 1 January 2017	2,250,000,000.00	-	-	-	3,960,087,958.39	-	-	-	2,138,759.39	-	1,578,345,278.87	198,074,103.73	7,988,646,100.38
III. Changes in equity during the reporting period	-	-	-	-	4,285,957,004.56	-	-	-	-	-	194,935,209.95	-3,937,062.57	4,476,955,151.94
(i) Total comprehensive income							-				194,935,209.95	-3,937,062.57	190,998,147.38
(ii) Capital contributions or withdrawals by owners	-				4,294,957,004.56	-		-	-	-	-	-	4,294,957,004.56
1. Ordinary shares contributed by shareholders													-
2. Capital contributed by holders of other equity instruments													-
3. Share-based payments recognised in owners' equity													-
4. Others					4,294,957,004.56								4,294,957,004.56
(iii) Profit distribution	-				-	-		-	-	-	-	-	-
1. Withdrawal of surplus reserves											-		-
2. Withdrawal of general risk reserves													-
3. Profit distribution to investors (or shareholders)													-
4. Others													-
(iv) Transfer between equity	-				-	-		-	-	-	-	-	-
1. Capital reserves transfer to share capital													-
2. Surplus reserves transfer to share capital													-
3. Surplus reserves used to cover accumulated deficits													-
4. Others													-
(v) Specific reserves	-				-	-		-	-	-	-	-	-
1. Withdrawal during the reporting period													-
2. Usage during the reporting period													-
(vi) Others					-9,000,000.00								-9,000,000.00
IV. Balance at 30 June 2017	2,250,000,000.00	-	-	-	8,246,044,962.95	-	-	-	2,138,759.39	-	1,773,280,488.82	194,137,041.16	12,465,601,252.32

Legal representative: Head of accounting department: Head of the accounting firm:

Consolidated Statement of Changes in Owners' Equity

for the year ended 31 December 2016

Prepared by：Jiaxing City Investment and Development Group Co.,Ltd — Unit：Yuan Currency: CNY

Items	Preceding period amount												
	Equity attributable to owners of the holding company											Non-controlling interests	Total owners' equity
	Paid-in Capital	Other equity instruments: Preference shares	Other equity instruments: Perpetual capital securities	Other equity instruments: Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings		
I. Balance at 31 December 2015	**2,250,000,000.00**	**-**	**-**	**-**	**4,079,672,076.84**	**-**	**-**	**-**	**2,138,759.39**	**-**	**1,395,882,974.07**	**162,639,475.19**	**7,890,333,285.49**
Add：Changes in accounting policy													-
Correction of prior period errors													-
Business combination under common control													-
Others													-
II. Balance at 1 January 2016	**2,250,000,000.00**	**-**	**-**	**-**	**4,079,672,076.84**	**-**	**-**	**-**	**2,138,759.39**	**-**	**1,395,882,974.07**	**162,639,475.19**	**7,890,333,285.49**
III. Changes in equity during the reporting period	**-**	**-**	**-**	**-**	**-119,584,118.45**	**-**	**-**	**-**	**-**	**-**	**182,462,304.80**	**35,434,628.54**	**98,312,814.89**
(i) Total comprehensive income							-				182,462,304.80	21,211,551.57	**203,673,856.37**
(ii) Capital contributions or withdrawals by owners	-				-119,584,118.45	-		-	-	-	-	-	**-119,584,118.45**
1. Ordinary shares contributed by shareholders													-
2. Capital contributed by holders of other equity instruments													-
3. Share-based payments recognised in owners' equity													-
4. Others					-119,584,118.45								**-119,584,118.45**
(iii) Profit distribution	-				-	-		-	-	-	-	-7,404,259.98	**-7,404,259.98**
1. Withdrawal of surplus reserves											-		-
2. Withdrawal of general risk reserves													-
3. Profit distribution to investors (or shareholders)												-7,404,259.98	**-7,404,259.98**
4. Others													-
(iv) Transfer between equity	-				-	-		-	-	-	-	-	-
1. Capital reserves transfer to share capital													-
2. Surplus reserves transfer to share capital													-
3. Surplus reserves used to cover accumulated deficits													-
4. Others													-
(v) Specific reserves	-				-	-		-	-	-	-	-	-
1. Withdrawal during the reporting period													-
2. Usage during the reporting period													-
(vi) Others												21,627,336.95	**21,627,336.95**
IV. Balance at 31 December 2016	**2,250,000,000.00**	**-**	**-**	**-**	**3,960,087,958.39**	**-**	**-**	**-**	**2,138,759.39**	**-**	**1,578,345,278.87**	**198,074,103.73**	**7,988,646,100.38**

Legal representative: Head of accounting department: Head of the accounting firm:

Statement of Financial Position

as at 31 December 2016

Prepared by : Jiaxing City Investment and Development Group Co.,Ltd   Unit: Yuan   Currency: CNY

Items	Notes	31 Dec 2016	31 Dec 2015	Items	Notes	31 Dec 2016	31 Dec 2015
Current assets:				**Current liabilities**			
Monetary Assets		35,581,661.10	52,051,512.32	Short-term borrowings		5,000,000.00	
Financial assets at fair value through profit or loss				Financial liabilities at fair value through profit or loss			
Derivative financial assets				Derivative financial liabilities			
Bills receivables				Bills payables			
Accounts receivable				Accounts payable			
Prepayment				Receipt in advance			
Interest receivable				Employee benefits payable			
Dividend receivable				Taxes payable			
Other receivables	**12.1**	1,971,138,591.18	3,334,741,026.66	Interest payable		36,914,908.89	22,515,963.95
Inventory				Dividend payable			
Assets classified as held-for-sale				Other payables		71,040,000.00	70,000,000.00
Non-current assets due within one year				Liabilities classified as held for sale			
Other current assets				Non-current liabilities due within one year		770,000,000.00	770,000,000.00
Total current assets		**2,006,720,252.28**	**3,386,792,538.98**	Other current liabilities		300,000,000.00	500,000,000.00
Non-current assets:				**Total liabilities**		**1,182,954,908.89**	**1,362,515,963.95**
Available-for-sale financial assets		149,500,000.00	-	**Non-current liabilities:**			
Held-to-maturity investment				Long-term borrowings		141,000,000.00	1,174,000,000.00
Long-term receivables	**12.2**	7,367,054,400.37	7,281,471,750.95	Bonds payable		600,000,000.00	770,000,000.00
Long-term equity investment				Including: Preference shares			
Investment properties				Perpetual capital securities			
Fixed assets				Long-term payables			
Construction in progress				Long-term employee benefits payable			
Construction materials				Special payables			
Disposal of fixed assets				Estimated liabilities			
Productive biological assets				Deferred income			
Oil and gas assets				Deferred tax liabilities			
Intangible assets				Other non-current liabilities			
Research and development expenditure				**Total non-current liabilities**		**741,000,000.00**	**1,944,000,000.00**
Goodwill				**Total liabilities**		**1,923,954,908.89**	**3,306,515,963.95**
Long-term deferred expenses				**Owners' equity**			
Deferred tax assets				Paid-in Capital		2,250,000,000.00	2,250,000,000.00
Other non-current assets				Other equity instruments			
Total non-current assets		**7,516,554,400.37**	**7,281,471,750.95**	Including: Preference shares			
				Perpetual capital securities			
				Capital reserve		5,288,253,318.69	5,117,482,639.64
				Less: Treasury stock			
				Other comprehensive income			
				Special reserve			
				Surplus reserve		3,772,640.86	2,138,759.39
				Retained earnings		57,293,784.21	-7,873,073.05
				Total owner's equity		7,599,319,743.76	7,361,748,325.98
Total assets		**9,523,274,652.65**	**10,668,264,289.93**	**Total liabilities and owners' equity**		**9,523,274,652.65**	**10,668,264,289.93**

Legal representative: Head of accounting department: Head of the accounting firm:

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2016

Prepared by： Jiaxing City Investment and Development Group Co.,Ltd Unit： Yuan Currency: CNY

Items	Notes	2016	2015
I. Operating revenue			
Less: Operating cost			
Taxes and surcharges			
Selling expenses			
Administrative expenses		1,316,800.00	504,230.00
Financial costs		11,506,381.64	12,332,904.39
Impairment losses			
Add: Gains arising from fair value changes (loss filled in with mark "-")			
Gain from investment (loss filled in with mark "-")		29,161,996.36	
Including: Share of profit and losses from associates and joint ventures		20,761,996.36	
Other gains (losses are filled with "-")			
II. Operating profit (loss filled in with mark "-")		**16,338,814.72**	**-12,837,134.39**
Add: Non-operating income		-	30,000.00
Including: Gain on disposal of non-current assets			
Less: Non-operating expense			
Including: Loss on disposal of non-current assets			
III. Total profits (total loss filled in with mark "-")		**16,338,814.72**	**-12,807,134.39**
Less: income tax expense			
IV. Net profits (net loss filled in with mark "-")		**16,338,814.72**	**-12,807,134.39**
V. Other comprehensive income, net of tax		-	-
(1) Other comprehensive income that cannot be reclassified to the profit and loss		-	-
1. Revaluation of net liabilities or net assets held under defined benefit plans			
2. Share of other comprehensive income of the investee recognised under equity method that cannot be classified to profit and loss			
(2) Other comprehensive income that will be reclassified to the profit and loss		-	-
1. Share of other comprehensive income of the investee recognised under equity method that will be classified to profit and loss			
2. Gain/loss from change in fair value of available-for-sale financial assets			
3. Gain/loss from re-classficiation of investments held to maturity as available-for-sale financial assets			
4. Effective portion of gain / loss from cash flow hedging			
5. Exchange difference on translating financial statements in foreign currency			
6. Others			
VI. Total comprehensive income		16,338,814.72	-12,807,134.39
VII. Earning per share:			
Basic earnings per share			
Diluted earnings per share			

Legal representative: Head of accounting department: Head of the accounting firm：

Statement of Cash Flows
for the year ended 31 December 2016

Prepared by： Jiaxing City Investment and Development Group Co.,Ltd   Unit：Yuan   Currency: CNY

Items	Notes	Current period amount	Previous period amount
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services			
Tax and levies refunded			
Cash received from other operating activities		1,522,926,652.75	423,966,075.59
Sub-total of cash inflows from operating activities		1,522,926,652.75	423,966,075.59
Cash paid for goods acquired and services received			
Cash payments to and on behalf of employees			
Payments of various taxes and levies			
Cash paid for other operating activities		1,978,604.10	374,553.36
Sub-total of cash outflows from operating activities		1,978,604.10	374,553.36
Net cash flows from operating activities		1,520,948,048.65	423,591,522.23
II. Cash flows from investing activities			
Cash received from disposal of investments			
Receipt of returns from investments		28,054,500.00	
Net cash receipts from disposals of fixed assets,intangible assets and other long-term assets			
Net cash receipts from disposals of subsidiaries and other business units			
Cash received from other investing activities			
Sub-total of cash inflows from investing activities		28,054,500.00	-
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets			
Cash paid for investments		16,378,750.00	
Net cash paid for acquisition of subsidiaries and other business units			
Cash paid for other investing activities			
Sub-total of cash outflows from investing activities		**16,378,750.00**	**-**
Net cash flows from investing activities		**11,675,750.00**	**-**
III. Cash flows from financing activities			
Cash received from investors			
Inception of borrowings		905,000,000.00	599,000,000.00
Cash received from other financing activities		3,636,200.00	1,500,000.00
Sub-total of cash inflows from financing activities		908,636,200.00	600,500,000.00
Repayments of borrowings		2,303,000,000.00	1,009,000,000.00
Dividend, profits distribution and interest payment settled by cash		154,729,849.87	247,637,445.17
Cash paid for other financing activities			
Sub-total of cash outflows from financing activities		**2,457,729,849.87**	**1,256,637,445.17**
Net cash flows from financing activities		**-1,549,093,649.87**	**-656,137,445.17**
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase / (decrease) in cash and cash equivalents		-16,469,851.22	-232,545,922.94
Add: Beginning balance of cash and cash equivalents		52,051,512.32	284,597,435.26
VI. Cash and cash equivalents at the end of the period		35,581,661.10	52,051,512.32

Legal representative: Head of accounting department: Head of the accounting firm：

Statement of Changes in Owners' Equity

for the year ended 31 December 2016

Prepared by： Jiaxing City Investment and Development Group Co.,Ltd

Unit：Yuan Currency: CNY

Items	Current period amount										
	Paid-in Capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total owners' equity
		Preference shares	Perpetual capital securities	Others							
I. Balance at 31 December 2016	**2,250,000,000.00**	**-**	**-**	**-**	**5,117,482,639.64**	**-**	**-**	**-**	**2,138,759.39**	**-7,873,073.05**	**7,361,748,325.98**
Add：Changes in accounting policy											-
Correction of prior period errors											-
Others											-
II. Balance at 1 January 2016	**2,250,000,000.00**	**-**	**-**	**-**	**5,117,482,639.64**	**-**	**-**	**-**	**2,138,759.39**	**-7,873,073.05**	**7,361,748,325.98**
III. Changes in equity during the reporting period	**-**	**-**	**-**	**-**	**170,770,679.05**	**-**	**-**	**-**	**1,633,881.47**	**14,704,933.25**	**187,109,493.77**
(i) Total comprehensive income							-			16,338,814.72	16,338,814.72
(ii) Capital contributions or withdrawals by owners	-	-	-	-	170,770,679.05	-	-	-	-	-	170,770,679.05
1．Ordinary shares contributed by shareholders											-
2．Capital contributed by holders of other equity instruments											
3．Share-based payments recognised in owners' equity											-
4．Others					170,770,679.05						170,770,679.05
(iii) Profit distribution	-	-	-	-	-	-	-	-	1,633,881.47	-1,633,881.47	-
1．Withdrawal of surplus reserves									1,633,881.47	-1,633,881.47	-
2．Withdrawal of general risk reserves											-
3．Others											-
(iv) Transfer between equity	-	-	-	-	-	-	-	-	-	-	-
1．Capital reserves transfer to share capital											-
2．Surplus reserves transfer to share capital											-
3．Surplus reserves used to cover accumulated deficits											-
4．Others											-
(v) Specific reserves	-	-	-	-	-	-	-	-	-	-	-
1．Withdrawal during the reporting period											-
2．Usage during the reporting period											-
(vi) Others										50,461,924.01	50,461,924.01
IV. Balance at 30 June 2017	**2,250,000,000.00**	**-**	**-**	**-**	**5,288,253,318.69**	**-**	**-**	**-**	**3,772,640.86**	**57,293,784.21**	**7,599,319,743.76**

Legal representative: Head of accounting department: Head of the accounting firm:

Statement of Changes in Owners' Equity
for the year ended 31 December 2016

Prepared by： Jiaxing City Investment and Development Group Co.,Ltd　　Unit：Yuan　Currency: CNY

Items	Preceding period amount										
	Paid-in Capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total owners' equity
		Preference shares	Perpetual capital securities	Others							
I. Balance at 31 December 2015	**2,250,000,000.00**	**-**	**-**	**-**	**5,122,880,039.64**	**-**	**-**	**-**	**2,138,759.39**	**4,934,061.34**	7,379,952,860.37
Add：Changes in accounting policy											-
Correction of prior period errors											-
Others											-
II. Balance at 1 January 2016	**2,250,000,000.00**	**-**	**-**	**-**	**5,122,880,039.64**	**-**	**-**	**-**	**2,138,759.39**	**4,934,061.34**	**7,379,952,860.37**
III. Changes in equity during the reporting period	**-**	**-**	**-**	**-**	**-5,397,400.00**	**-**	**-**	**-**	**-**	**-12,807,134.39**	**-18,204,534.39**
(i) Total comprehensive income										-12,807,134.39	-12,807,134.39
(ii) Capital contributions or withdrawals by owners	-	-	-	-	-5,397,400.00	-	-	-	-	-	-5,397,400.00
1. Ordinary shares contributed by shareholders											-
2. Capital contributed by holders of other equity instruments											
3. Share-based payments recognised in owners' equity											-
4. Others					-5,397,400.00						-5,397,400.00
(iii) Profit distribution	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal of surplus reserves										-	-
2. Withdrawal of general risk reserves											-
3. Others											-
(iv) Transfer between equity	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transfer to share capital											-
2. Surplus reserves transfer to share capital											-
3. Surplus reserves used to cover accumulated deficits											-
4. Others											-
(v) Specific reserves	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal during the reporting period											-
2. Usage during the reporting period											-
(vi) Others											-
IV. Balance at 31 December 2016	**2,250,000,000.00**	**-**	**-**	**-**	**5,117,482,639.64**	**-**	**-**	**-**	**2,138,759.39**	**-7,873,073.05**	**7,361,748,325.98**

Legal representative:　　Head of accounting department:　　Head of the accounting firm：

Jiaxing City Investment and Development Group Co.，Ltd.

Notes to the Financial Statements

As at and for the year ended December 31, 2016

（All amounts are expressed in CNY Yuan unless otherwise stated）

Note 1. Company Information

1. 1 Company Profile

Jiaxing City Investment and Development Group Co., Ltd (hereinafter referred to as "the Company"), was set up based on the approved document of Capital (2009) No.146 of Jiaxing Municipal People's Government State-owned Assets Supervision andAdministration Commission, by the JiaxingCulture Mingcheng Investment Group Co., Ltd on 21 December 2009 and its business license was achieved by the Jiaxing ,which was issued by the Administration of Industry and Commerce with a registered capital of CNY 30 million yuan, this has been audited by the Zhonglei Certified Public Accountants Co., Ltd Zhejiang branch and issued on 11 December 2009 with the verification report No.038 (2009).

On 13 May 2010, according to the Jiaxing Municipal People's Government State-owned Assets Supervision and Administration Commission’s document of Capital (2010) No.82 <Approval for the Jiaxing City Investment and Development Group Co., Ltd capital increase>, the Company increased the registered capital by CNY 2000 million yuan, after the capital increase, the registered capital was changed to CNY 2030 million yuan, of which Jiaxing Cultural City Investment Group Co., Ltd. holds 100% equity interest. The capital increase has been audited by Zhonglei Certified Public Accountants Co., Ltd Zhejiang branch and issued with the capital verification report No.70 (2010).

On 18 December 2014, according to the Company shareholders' decision and the modified articles of association, the Company increased the registered capital by CNY

220 million yuan, after this change the registered capital was changed to CNY 2250 million yuan. This capital increase was contributedby the Jiaxing Cultural City Investment Group Co., Ltd with monetary capital.

Enterprise unified social credit code: 91330402699511532M.

Scope of business: Industrial investment; Infrastructure construction; Tourism resources development; Assets management; Property services.

Legal representative: Shihong Chen.

Residence of a company: 4th Floor of No. 333 West Ring Road, Jiaxing.

The parent company is Jiaxing Cultural City Investment Group Co., Ltd.

Ultimate Controlling Owners: Jiaxing municipal people's government state-owned assets supervision and administration commission.

1.2 Approval of the financial statements:

The financial statements were approved and authorised for issue on 24 April 2017.

2. Basis of consolidation

2.1 The Company's subsidiaries consolidated:

Sequence number	Name of Subsidiaries	Proportion of ownership interest (%)	
		Direct	Indirect
1	Jiaxing City Construction Investment Co., Ltd.	100	
2	Jiaxing City Construction Real Estate Development Co., Ltd.		100
3	Jiaxing Jiacheng Huanyi Property Management Co. Ltd.		100
4	Jiaxing City Village Catering Co., Ltd.		100
5	Jiaxing Jiacheng Construction Development Co., Ltd.		100
6	Jiaxing City River Inn Co. Ltd.		100
7	Jiaxing Yintai Meiwan Xintiandi Investment Management Co., Ltd.		100
8	Jiaxing Nanhu Scenic Spot Development Co., Ltd.	100	
9	Jiaxing City Yingzhou Ancient Garden Construction Co. Ltd.		100
10	Jiaxing housing levy Service Center	100	
11	Jiaxing Jiacheng Housing Demolition Co., Ltd.	100	
12	Jiaxing Nanhu Construction Development General Corporation	100	
13	Real Estate Jiaxing central construction and development company	100	
14	Old city renewal headquarters	100	
15	Jiaxing City Development Office	100	

Sequence number	Name of Subsidiaries	Proportion of ownership interest (%)	
		Direct	Indirect
16	Jiaxing silver land new rural development Investment Co., Ltd.	100	
17	Jiaxing Nanhu Traffic Construction Investment Co., Ltd.	100	
18	Willow Bay farmers' market	100	
19	Jiaxing Tourism Development Co., Ltd.	100	
20	Jiaxing natural gas pipeline network construction management Co., Ltd.	100	
21	Jiaxing Shalong International Hotel Co., Ltd.		75.32
22	Jiaxing Xiuyuan water Investment Group Co., Ltd.	100	
23	Jiaxing Xiuzhou District sewage treatment Co., Ltd.		100
24	Jiaxing Xiuzhou District Jie Feng Emissions Trading Service Co. Ltd.		100
25	Jiaxing Xiu Yuan tap water operation management Co., Ltd.		100
26	Jiaxing Xiu Yuan dredging Co., Ltd.		100
27	Jiaxing Xiuzhou District Security Service Co., Ltd.		100
28	Jiaxing Xiu’an electronic technology Co., Ltd.		100

The specific circumstances of the above-mentioned subsidiaries are detailed in the notes to this financial statement “VI、Equity in other entities”.

2.2 The change of the scope of consolidation

The newly incorporated subsidiaries during the reporting period:

There is no such subsidiary incorporated.

The subsidiaries not consolidated during the reporting period are as follows:

Sequence number	Name of Subsidiaries	The reason of not consolidated
1	Jiaxing Gas Group Co. Ltd	Lost control
2	Jiaxing Qing Garden Hotel Management Co., Ltd.	Lost control
3	Jiaxing Baixin Property Management Co., Ltd.	Lost control
4	Jiaxing docklands natural gas Co., Ltd.	Lost control
5	Jiaxing Jiaran Liquefied Gas Co., Ltd.	Lost control
6	Jiaxing jia'an Gas Technology Services Co. Ltd	Lost control
7	Jiaxing docklands natural gas Co., Ltd.	Lost control
8	Jiaxing Jiaran Liquefied Gas Co., Ltd.	Lost control
9	Jiaxing jia'an Gas Technology Services Co. Ltd	Lost control
10	Jiaxing Yintai Properties Co. Ltd	Lost control

Sequence number	Name of Subsidiaries	The reason of not consolidated
11	Jiaxing Ying Xiang Commercial Management Co., Ltd.	Lost control
12	Jiaxing Qingyuan Hot spring Management Co. Ltd.	Lost control
13	Jiaxing Huarong e-commerce Industrial Park Management Co., Ltd.	Lost control

The increased and decrease in member of subsidiaries of the current period are detailed in the notes to this financial statement “V、Implication of changes of consolidation scope”.

Note 2. Basis of preparation of the financial statements

2.1 Basis of preparation

Based on going concern, according to acutal transactions and events, the Company prepares its financial statements in accordance with the Accounting Standards for Business Enterprises – Basic Standards and concrete accounting standards, Accounting Standards for Business Enterprises – Application Guidelines, Accounting Standards for Business Enterprises – Interpretations and other relevant provisions (collectively known as “Accounting Standards for Business Enterprises, issued by Ministry of Finance of PRC”), as well as the disclosure requirements of Regulation on the Preparation of Information Disclosure of Companies Issuing Public Shares No.15 - General Requirements for Financial Reports (as revised in 2014) by the China Securities Regulatory Commission.

2.2 Going Concern

The Company is currently operating on a going concern basis, and has the capacity to continually operate in the next twelve months from the end of the reporting period.

Note 3. Significant accounting policies and accounting estimates

The following company’s significant accounting policies and accounting estimates were made in accordance with the ASBE. For businesses not mentioned, the adoption of such policies and estimates were subject to the relevant accounting policies under the ASBE.

3.1 The statement of compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Business Enterprises and truly and completely reflect the Company's financial position as at 31 December 2016, and its operating results, cash flows and other related information for the year then ended.

3.2 Accounting period

The accounting year is from January 1 to December 31 in calendar year.

3.3 Operating cycle

The operating cycle of the Company is one year.

3.4 Functional currency

The functional currency of the Company is CNY.

3.5 Business combination under common control and not under common control

(a) Business combination under common control

The assets and liabilities acquired by the Company in a business combination are measured at the carrying amount as of the merger date as reflected in the consolidated financial statements of the merged entities. Where the accounting policies adopted by the merged entities are different from those of the Company, they are changed to consistent with those of the Company based on materiality. The acquired assets and liabilities carrying value should be adjusted in line with the policies of the Company. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to offset the difference, the remaining balance is adjusted against the surplus reserve first and then the retained earnings.

(b) Business combination not under common control

The identifiable assets and liabilities obtained by the Company in a business combination are measured at fair value at the acquisition date. Where the accounting policies adopted by the acquired entities are different from those of the Company before the acquisition, the accounting policies were applied consistently based on materiality. Adjustments should be made to the carrying value of the acquired the Company’s assets and liabilities based on the Company accounting policies. Where the consideration of the combination exceeds the Company’s interest in the fair value of the acquired entities identifiable net assets, the difference is recognized as goodwill; where the consideration of combination is lower than the acquired entities interest in the fair value of the acquired entities’ identifiable net assets, the consideration of the acquisition as well as the fair value of the acquired the Company’s identifiable net assets and liabilities are re-examined. Where, after the aforesaid re-examination, it is found that the consideration of the acquisition is still lower than the fair value of the acquired the Company’s identifiable net assets and liabilities, the difference is recognized in profit or loss.

3.6 Preparation of consolidated financial statements

(a) Basis of consolidation

The consolidated financial statements have been prepared based on the basis of control and they include the financial statements of the Company and the subsidiaries not only including the subsidiaries with voting rights (or similar voting rights) or which are determined by the other combined arrangements, but also including structured entities, which are determined by one or more contract arrangements.

“Control” means the power of the Company over the investee and entitlement of the Company to the variable return by taking part in the related activities of the investee and capability of influencing the amount of money return by exercising the power on the investee. “Subsidiaries” refers to the entities controlled by the Company (including enterprises, the separate parts of the investee and structured entities controlled by the Company. “Structured entities” refers to the entities established specially when the controlling cannot be decided by voting right or similar right (Note: Sometimes refer to as special purpose entity).

(b) The method of preparing for the consolidated financial statements

The preparation of the consolidated financial statements is based on the Company's own financial statements and those of its various subsidiaries and other relevant information.

In preparing the consolidated financial statements, the whole group was treated as one single accounting unit. Based on the relevant recognition, measurement and disclosure requirements under the ASBE, the Company used the consistent accounting policies to reflect the financial position, operation performance and cash flow of the group companies as a whole.

① Assets, liabilities, equity, revenues, expenses and cash flows of the Company and subsidiaries are consolidated.

② The Company's long-term equity investment and ownership interest in subsidiaries are eliminated.

③ Inter-company transactions between the Company and subsidiaries and those between subsidiaries are eliminated. Where impairment loss occurs to certain assets as a consequence of internal transaction, such loss is accounted for in full amount.

④ Exceptional transactions are adjusted based on the group's point of view.

(c) Addition/disposal of subsidiaries during the reporting period

①Addition of subsidiaries or businesses

A. Addition for business combination under common control

(a) The beginning balances are adjusted and consolidated in preparation of the consolidated balance sheets, and at the same time the consolidated reports are adjusted after comparing related items of statements, as if the combined reporting entity has been existed from the point when the acquirer starts to control the investee.

(b) The revenues, expenses and profits of the subsidiaries and businesses for the period from the beginning of the combination to current period are consolidated in the consolidated profit statement and some relevant items are adjusted after comparing the statements, as if the combined reporting entity has been existed from the point when the acquirer starts to control the investee.

(c) The cash flows of the subsidiaries and businesses for the period from the beginning of the combination to current period are consolidated in the consolidated cash flow and the relevant items are adjusted after comparing the statements, as if the combined reporting entity has been existed from the point when the acquirer starts to control the investee.

B. Addition for business combination not under common control

(a) The beginning balance of the consolidated balance sheet is not adjusted in preparing the consolidated balance sheet.

(b) The revenues, expenses and profits of the subsidiaries and businesses for the period from the purchase date to the end of reporting period are consolidated in preparing the consolidated profit statement.

(c) The cash flows of the subsidiaries and businesses for the period from purchase date to end of reporting period are consolidated in preparing the consolidated cash flow statement.

②Disposal of subsidiaries or businesses

A. The beginning balance of the consolidated balance sheet is not adjusted in preparing the consolidated balance sheet.

B. The revenues, expenses and profits of the subsidiaries and businesses for the period from commencement of reporting period to disposal date are consolidated in preparing the consolidated profit statement.

C.The cash flows of the subsidiaries and businesses for the period from commencement of reporting period to disposal date are consolidated in preparing the consolidated cash flow statement.

(d) Special consideration in consolidation offset

①The Company holds a long-term equity investment of the Company, it shall be regarded as the Company's stock shares, equity as a deduction in the consolidated balance sheet equity project to "reduce: inventory stock" items.

Long-term equity investments in subsidiaries held by each other, according to offset methods of the Company's equity investment, will enjoy subsidiary equity long-term equity investment in corresponding share mutual offset.

②The "special reserve" and "general risk reserve", because the project does not belong to the paid in capital (or share capital), capital surplus, retained earnings, is also different with the undistributed profits, in the offset between the rights and interests of the long-term equity investment and the subsidiary's owner, according to all those attributable to the parent company's share to be restored.

③Due to offsetting unrealized sales income in the consolidated balance sheet assets, the book value of liabilities between the taxpayer's tax basis generated temporary differences, the recognition of deferred tax assets and deferred tax liabilities in the consolidated balance sheets, the adjustment of the consolidated income statement of income tax expense at the same time. But except for deferred income tax related to transactions or transactions directly included in the owner's equity and business combinations.

④Any unrealized gains or losses arising from the sale of assets to a subsidiary of the Company shall be offset in full by the "net profit attributable to the owners of the parent company". A subsidiary of the sale of the Company did not achieve the insider trading profits of assets, the Company should be in accordance with the distribution of net profit between the proportion of the subsidiaries in the "attributable to owners of the parent company and the minority shareholders profit distribution offset. Between the subsidiaries sell unrealized insider trading profits by assets, should be in accordance with the Company’s net profit ratio on the sale of prescription in the Company "attributable to owners of the parent company and the minority shareholders profit distribution offset.

⑤If the current losses shared by the minority shareholders of a subsidiary company exceed the share enjoyed by a minority shareholder at the beginning of the subsidiary's equity, the balance shall still offset the minority shareholders' interests.

(e) Special accounting transaction

①Buying minority shareholders' equity

The Company purchases the share right of the subsidiary company owned by the minority shareholder of the subsidiary company, and in the individual financial statement, the investment cost of the newly acquired long-term equity investment shall be measured in accordance with the fair value of the paid consideration. In the consolidated financial statements, because of long-term equity investment, the purchase of minority interest made in accordance with the new shareholding ratio calculation should enjoy the subsidiary on or between the merger date start buying continuously calculated share of net assets of the difference, should adjust the capital surplus (capital premium or share premium), the capital reserve is insufficient to offset, in turn red reducing the surplus reserve and undistributed profit.

②Obtaining control of subsidiaries through multiple transactions

A. through multiple transactions, step by step to achieve the same control under the merger

In the case of "package deal", the Company deals with transactions as a control of the subsidiaries. In the individual financial statements, in each transaction before the merger, the equity investment are recognized as the net assets of the merged party to determine the final control share book value of the consolidated financial statements of the parties on the long-term equity investment and the initial investment cost calculation according to the proportion of the initial cost of the long-term equity investment, and payment the difference between the book value of the price adjustment of capital surplus (capital premium), capital surplus (capital premium) is not enough to offset, in order to offset the surplus reserve and undistributed profit. In subsequent measurement, long-term equity investments are accounted for in the cost approach, but they do not involve the preparation of consolidated financial statements. On the date of merger, long-term equity investment, the initial cost of the Company's subsidiaries according to the calculation of the cumulative shareholding ratio of the net assets of the merged party to determine the final control share book value of the consolidated financial statements of the parties, the initial investment cost and achieve before the merger of the long-term stock right investment book value plus the combination date for further new shares pay the difference between the book value of the consideration and the adjustment of capital surplus (capital premium), capital surplus (capital premium) is not enough to offset, in order to offset the surplus reserve and undistributed profit. At the same time, the consolidated financial statements of the merger date shall be prepared, and the Company shall, in the consolidated financial statements, be deemed to be in the current state of existence when the parties at the final control begin to take control.

The terms, conditions, and economic effects of each transaction correspond to one or more of the following situations, and transactions are often treated as a "package deal":

(a) These transactions were made at the same time or in consideration of each other's effects.

(b) These transactions can achieve a complete business outcome as a whole.

(c) The occurrence of a transaction depends on the occurrence of at least one other transaction.

(d) A transaction is considered uneconomical when considered separately, but it is economic when considered in conjunction with other transactions.

Do not belong to the "package deal", in each transaction before the merger, each transaction occurred of the Company's financial assets according to the fair value of the consideration payment confirmation (at fair value through profit or loss of financial assets or financial assets available for sale) or in accordance with the equity method of accounting for long-term equity the investment. On the date of merger, the Company in the individual financial statements, according to the net assets after the merger should have subsidiaries in ultimate control of the book value of the consolidated financial statements of the party's share, to determine the initial cost of a long-term equity investment of the. With on the initial cost of a long-term equity investment, and reached before the merger of the book value of long-term equity investments and with further payments made for new shares on the price of the book value and the adjustment of capital surplus (capital premium), the capital reserve is insufficient to offset, in order to offset the surplus reserve and undistributed profit.

The Company in the consolidated financial statements, as the parties involved in the merger in the ultimate controlling party began to control is to present state of existence is adjusted in the consolidated financial statements, in order to control not earlier than the combined party and the merged party in the ultimate controlling party of the time limit, the comparative statement of assets and liabilities the merged party is incorporated into the merger of the consolidated financial statements, the net assets and increasing merger adjustments related to equity items under the comparative statements. Because of the combined party capital surplus (capital premium) the balance of the merged party before the merger, the retained earnings attributable to the combined party not to be a full recovery in the consolidated financial statements, the Company notes in the report on the situation described, including by the combined amount in the amount of retained earnings before the merger, the attributable to the Company's capital reserve and because of lack of balance in the consolidated balance sheets without the amount of retained earnings.

The merging party in control of the merged party before the holdings of equity investment and accounting by the equity method, in the original equity day and the merger of the merged party and the same in the same day or between the final control late date to the date of merger has confirmed the related changes in profit and loss and other comprehensive income and other owners right, should be deducted respectively during the comparison report at the beginning of the period of retained earnings.

B. Through multiple transactions, step by step to achieve the merger under different control

In the case of "package deal", the Company deals with transactions as a control of the subsidiaries. In individual financial statements, equity investments are recognised as long-term equity investments in each transaction prior to the date of incorporation, and their initial investment costs are determined in accordance with the fair value of the paid consideration. In subsequent measurement, long-term equity investments are accounted for in the cost approach, but they do not involve the preparation of consolidated financial statements. On the date of merger, the individual financial statements, in accordance with the book value of the long-term equity investment held with new investment costs (further acquisition of shares paid by the fair value of the consideration) and, as a merger, the initial cost of a long-term equity investment. In the consolidated financial statements, the initial cost of investment is offset by the share of the fair value of the identifiable assets of the subsidiary company, and the difference is recognised as goodwill or included in the current profits and losses of the merger.

Do not belong to the "package deal", in each transaction before the merger, each transaction by investors for financial assets according to the fair value of the consideration payment confirmation (at fair value through profit or loss of financial assets or financial assets available for sale) or in accordance with the equity method of accounting for long-term equity the investment. On the date of merger, the individual financial statements, in accordance with the original holdings of equity investment (financial assets or long-term equity investment according to the equity method of Accounting) the book value plus the new investment cost, as the initial cost of investment according to the cost accounting method of long-term equity. In the consolidated financial statements, for the purchase date held by buyer's equity, re measured at fair value of the equity in the date of purchase, the fair value of the difference between the book value and included in the current investment income; the purchase date held before the acquiree equity relates to the equity method of accounting under the other comprehensive income etc., associated with other comprehensive income, to purchase on the current income, but because of other comprehensive income except the merged party re measurement of defined benefit plan assets or liabilities arising from changes in the net. The Company discloses in its notes the amount of the gains or losses arising from the fair value of the buyer's shares held on the date of purchase and the re measurement thereof at fair value.

③ The Company handles long-term equity investments in subsidiaries, but does not lose control

A long-term equity investment in the parent company does not lose control of the situation of disposal of the subsidiary, the consolidated financial statements, the disposal cost and the disposal of long-term equity investments relative should enjoy subsidiary differences between day or date of merger purchase continued to calculate the share of net assets, adjust capital surplus (capital premium), capital reserve not enough to offset, the retained earnings adjustment.

④ The Company dispose of long-term equity investment in subsidiaries and lose control

A. One deal disposition

The Company was part of the investment equity disposal lost control of the investment side, in the consolidated financial statements, the remaining equity, according to the re measurement of fair value at the date of losing control. The price of the disposal of equity and the remaining equity and fair value, minus the shareholding ratio is calculated according to the original should enjoy the original subsidiary between net assets or merge, buy continued to calculate the share of the difference in loss of control of the current investment returns, and decreasing the goodwill (Note: if the original enterprise merger not under the same control and goodwill). Any other comprehensive income related to the equity investment of the original subsidiary company shall be converted into the current investment income after the loss of control.

In addition, other comprehensive income and other changes in owner's equity relating to the equity investments of the atomic company shall be transferred to the current profits and losses at the time of loss of control, except any other comprehensive income arising from changes in the beneficial plan, net liabilities or net assets due to the re measurement by the investor.

B. Multiple transactions, step by step processing

In a consolidated financial statement, it should first determine whether a step transaction is a "package deal".

If the step transaction does not belong to the "package deal", in the loss of subsidiaries the transaction control before, shall be dealt with according to "the relevant provisions of the long-term equity investment of the parent company disposal of the subsidiary without loss of control".

If the transaction is a step by step "package deal", should be the transaction as a disposal of subsidiaries and lost control of the transaction accounting; among them, before losing control for each transaction, the disposal and disposal of the corresponding investment price difference enjoys the subsidiary share of net assets in the consolidated financial statements. It should be recognized as other comprehensive income, the loss of control over the loss of profit and loss together into the control of current.

⑤ The proportion of equity owned by the parent company is diluted by the increase of the minority shareholders' capital

Other shareholders of the subsidiary company (minority shareholders) increase their capital to the subsidiary company, thus diluting the proportion of the shares of the parent company to the Company. In the consolidated financial statements, in accordance with the proportion of equity capital before the parent company calculates it in the former capital subsidiary of the carrying amount of the net assets of the share, the share of capital calculated in accordance with the proportion of shares between the parent company subsidiary book net assets share in the capital after adjust the balance of capital reserves (capital, capital surplus (premium) capital premium) is not enough to offset, the retained earnings adjustment.

3.7 Joint venture arrangement, classification and joint operating accounting

A joint venture arrangement refers to an arrangement jointly controlled by two or more participants (two parties). The joint venture of the Company is divided into joint ventures and joint ventures.

(1) Joint operation

"Joint operation" means the joint venture arranged by the Company to enjoy the relevant assets of the arrangement and bear the relevant liabilities of the arrangement.

The Company confirms the following items relating to the share of interests in the joint venture, and handles the accounting in accordance with the relevant accounting standards:

①Recognize the assets held separately and determine the assets held jointly by their shares;

②Recognizing the individual liabilities and the common liabilities recognized by their shares;

③Recognition of the revenue generated by the sale of the share of its joint operating output;

④Share the revenue derived from the sale of the shares for joint operation;

⑤To confirm the costs incurred separately, and to confirm the expenses incurred by the joint venture by its share.

(2) Joint venture

"Joint venture" means the joint venture arranged by the Company only with the right to the net assets of the said arrangement.

The Company shall handle the investment in the joint venture in accordance with the provisions of the relevant equity method for long-term equity investment.

3.8 Cash and cash equivalents

Cash refers to cash on hand and savings that can be readily used for payment. Cash equivalent refers to short term (generally not longer than three months) and easily convertible investment instruments with strong liquidity and small risk in value change.

3.9 Foreign currency transactions and the foreign currency translation of financial statements

(a) Exchange rates used in foreign currency transactions

Foreign currency transactions of the Company are translated into functional currency using the exchange rates rates or approximate exchange rates prevailing at the date of the transactions for initial recognition.

(b) The foreign currency financial statements

Foreign currency monetary items are translated at the exchange rates at the balance sheet date. Exchange difference resulting from the difference of the exchange rates at balance sheet date and the initial recognition date or previous balance sheet date is recognized in profit or loss.

(c) Translation of financial statements in foreign currency

Before the translation of financial statements from overseas operations, the accounting period and policies for such overseas operations are adjusted in line with the Company's accounting period and policies, and then the financial statements of the overseas operations are prepared in related currency (other than functional currency) based on the adjusted accounting policies and period, and the financial statements for such overseas operations are translated with the following methods.

① Assets and liabilities items at balance sheet date are translated at the exchange rates at the balance sheet date; equity items other than "retained earning" are translated at the exchange rates prevailing on the transaction dates.

② Revenues and expenses items on profit statement are translated at the exchange rates or an approximate exchange rates prevailing on the transaction dates.

③The differences arising from translation of financial statements in foreign currency are recognized separately in the owners' equity as other comprehensive income in the consolidated balance sheet.

④The cash flows in foreign currency and of overseas operations are translated at the exchange rates or approximate exchange rates prevailing on the dates of the cash flows. The effect of exchange rate changes on cash flow is recognized separately in the cash flow statement as an adjustment item.

3.10 Financial instruments

(a) Classification of financial assets

①Financial assets measured at fair value through profit or loss

Financial assets include financial assets held-for-trading and those designated as at fair value through profit or loss on initial recognition. The financial assets held-for-trading refer to shares, bonds and fund investment that the Company holds for short term trading and derivatives for purposes other than hedging. For initial recognition, held-for-trading assets are recognized at fair value, with transaction cost recognized immediately in profit or loss. Where the amount paid for such assets includes those announced but undistributed cash dividend or due but undistributed bond interest, such dividend and interest are recognized separately as receivables. The interest or cash dividend earned during the period of holding are recognized as investment income. At the balance sheet date, financial assets held for trading are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. Upon disposal, the difference between fair value and initial amount is recognized as investment income, and the gain or loss on fair value changed at the same time is adjusted.

②Held-to-maturity investment

Held-to-maturity investments are national bonds and company bonds etc. with fixed maturity and fixed or determinable payments that management has the clear intention and ability to hold to maturity. Such financial assets are measured at fair value plus transaction cost at initial recognition. Where the amount paid for such assets includes due but undistributed bond interest, such interest is recognized separately as receivables. The interest for held-to-maturity investment during period of holding is calculated based on amortized cost and actual interest rates and recognized as investment income. Upon disposal of held-to-maturity investment, the difference between the amount received and the carrying value of such investment is recognized as investment income.

③Receivables

Receivables mainly include account receivables and other receivables. Account receivables arising from sale of goods or rendering of services are initially recognized based on contract price or negotiated price with the buyer.

④Available-for-sale financial assets

Available-for-sale financial assets mainly refer to assets of the Company other than financial assets measured at fair value with changes recognized in profit or loss, held-to-maturity investment, loans or receivables. For initial recognition, available-for-sale financial assets are recognized at fair value plus transaction cost. Where the amount paid for such assets includes announced but undistributed cash dividend or due but undistributed bond interest, such dividend and interest are recognized separately as receivables. Accrual of interest and cash dividend earned from such assets are recognized as investment income.

Where available-for-sale financial assets are foreign currency monetary assets, exchange gains and losses are recognized in profit or loss. Interest from available-for-sale debt instruments, measured by actual interest rate method, is recognized in profit or loss, cash dividend earned from these assets is recognized in profit or loss when the investee announces the dividend. At balance sheet date, available-for-sale financial assets are measured at fair value with changes recognized in other comprehensive income. Upon disposal, difference between the amount received and the carrying value is recognized in investment income while the original accumulated amount of changes in fair value recognized in owners' equity corresponding to the disposal is transferred out and recognized as investment income.

(b) Classification of financial liabilities

①Financial liabilities measured at fair value and with changes recognized in profit or loss include financial liabilities held for trading and designated financial liabilities measured at fair value and with changes recognized in profit or loss. For initial recognition, such financial assets are recognized at fair value, with transaction cost involved directly recognized in profit or loss. At balance sheet date, the changes of fair value are recognized in profit or loss.

②Other financial liabilities refer to financial liabilities other than financial liabilities measured at fair value and with changes recognized in profit or loss.

(c) Reclassification of financial assets

Where change of the Company's intention or capability makes it no longer appropriate to classify a certain investment as held-to-maturity investment, the Company will reclassify the investment as available-for-sale financial assets and measure it at fair value. Where the disposal portion for the held-to-maturity investment and the reclassification amount is significant, and not belong to section XIV of ASBE NO.22 – Recognition and Measurement of Financial Instruments, the remaining part of the investment is not appropriate to be classified as held-to-maturity investment; instead the

Company will reclassify the remaining as available-for-sale financial assets and are subsequently measured at fair value. But, they will not be reclassified to held-to-maturity investment again in the current accounting period and in the next two complete accounting periods.

At date of reclassification, the difference between the carrying value and fair value of the investment is recognized in other comprehensive income. When there is impairment on the available-for-sale financial assets or derecognition on such assets, the difference is transferred out and recognized in profit or loss.

(d) Differentiation between financial liabilities and equity instruments

Apart from some exceptions, financial liabilities and equity instruments are differentiated based on the following principles:

①If the Company cannot unconditionally avoid the delivery of cash or other financial assets to fulfill a contractual obligation, the contractual obligations are in line with the definition of financial liabilities. Some financial instruments do not state clearly the terms and conditions of the delivery of for cash or other financial obligations, but it is possible to form contractual obligations indirectly through other terms and conditions.

②If a financial instrument has to or may be settled with the Company's own equity instruments, there is a need to be considered for settlement of the Company's own equity instruments, as for cash or other financial assets or substitute, or for the instrument holder to enjoy residual interest after deduction of all liabilities by the issuer. If it is the former, the instrument is the issuer's financial liability; if it is the latter, the instrument is the issuer's equity instruments. Under certain circumstances, certain financial instrument contracts stipulate that the Company must or may use her own equity instrument to settle the financial instrument, where the amount of the contract rights or contractual obligations is equal to the amount by multiplying the number of company’s own equity instruments by the fair value at the time of settlement, regardless of whether the contract rights or obligations is fixed, or completely or partially vary based on variable in addition to the Company's own equity instruments (such as interest rates, the market price of a commodity price or a financial instrument prices), the contract is reclassified as financial liabilities.

(e) Transfer of financial assets

The transfer of financial assets refers to the following two situations:

A. The transfer of contractual rights of the cash flow of the financial asset to the other party;

B. The whole or part of the financial asset is transferred to the other party, but the contractual right to receive the cash flow of the financial asset is reserved, and undertake the contractual obligation to pay the received cash flow to one or more recipients.

①Derecognizing the transferred financial assets

Where almost all risks and rewards of a financial asset is transferred to transferee or neither transferring the asset nor reserving almost all risks and rewards over the asset ownership but the Company gives up its control of a financial asset, such financial asset is derecognized.

The judgment of whether giving up control of a transferred financial asset is focused on transferee's ability to transfer the financial asset. If the transferee is able to separately sell the entire transferred financial asset to an independent third party, and without additional conditions to limit the sale, it shows that the enterprise give ups control of the financial asset.

The Company access the substance of the financial assets transferred to determine whether the transfer of financial assets has satisfied the derecognition requirements. When the transfer of financial assets as a whole satisfy the derecognition requirements, the difference between the following two amounts is recognized in profits or losses.

A. The carrying value of the transferred financial assets;

B. The sum of amount received in consideration of the transfer plus the accumulated amount of fair value change originally recognized in owner equity (where transferred financial assets are available-for-sale financial assets).

Where part of a financial asset is transferred and satisfied with the derecognition criteria, the carrying value of the entire financial asset between the derecognized part and the recognized part (the retained service assets are deemed as part of the remaining non-derecognized financial assets) is split in proportion to their respective fair value and the difference between the two parts is recognized in profit or loss:

A. The carrying value of the derecognized part;

B. The sum of the amount of the derecognized part plus the accumulated amount of fair value change originally recorded in owner' equity relating to the amount of the derecognized part (where the transferred financial assets are available-for-sale financial assets).

②Continuous involvement in the transferred financial asset

Where the Company neither transfers nor retains almost all risks and rewards over the ownership of the financial assets and retains control of it, such financial assets are recognized according to the degree of the Company's continuous involvement in the transferred financial asset, and recognize the related liabilities.

The degree of the continuous involvement in the transferred financial asset is the level of risks due to the changes of this financial asset's value exposing to the Company.

③Continuous recognition of the transferred financial asset

Where the Company retains almost all the risks and rewards over the ownership of a transferred financial asset, the recognition of the whole transferred financial asset continues and the amount received in consideration of the transfer is recognized as a financial liability.

The financial asset cannot offset the recognized financial liability. During the subsequent accounting period, the Company will continue the recognition of the income generated from such financial asset and expenses arising out of such financial liability. Where the transferred financial asset is measured by amortized cost, the recognized liability cannot be designated as "financial liability measured at fair value and with changes in fair value recognize in profit or loss.

(f) Derecognition of financial liabilities

Where current obligations over a financial liability have been released in part or in full, the financial liability is derecognized in part or in full correspondingly.

Where an asset with payment obligation has been transferred to another organization or set up a trust, the financial liability or transferred asset will not be derecognized as long as the payment obligation remains.

Where a contract is signed with creditor to replace the previous financial liability with a new one, the previous financial liability will be derecognized and the new one is recognized at the same time provided the new contract terms differ from the previous one substantially.

Where all or part of the contract terms about an existing financial liability are modified, the financial liability in part of in full is derecognized and the financial liability is recognized under the modified contract terms as a new financial liability.

Where a financial liability is derecognized in part or in full, the difference between the carrying value of the derecognized part and the amount paid (including the transferred non-cash assets and new financial liabilities undertaken) is recognized in profit or loss.

(g) Derecognition of financial liabilities

Financial assets and financial liabilities are separately disclosed on the balance sheet and they do not offset each other. In the following circumstances, however, the net amount after offsetting each other is disclosed on the balance sheet:

Company has legal right to offset the recognized amount and the legal right is currently operative; and the Company settles with net amount or sells the financial asset and pays off the financial liability at the same time.

Where a transferred financial asset does not meet the requirements of derecognition, the transferor cannot offset the transferred financial asset and the liability with each other.

(h) Derecognition of financial liabilities

(1) In the following circumstances, when there is evidence to show impairment of a financial asset, the impairment provision is provided:

①Bond issuer or debtor is in serious financial difficulty;

②Debtor violates the contract terms, e.g., defaulting on payment of interest or principle or failing to pay interest or principle on schedule;

③Creditor makes a concession to debtor with financial difficulty in consideration of the economic or legal issues;

④Debtor might go bankrupt or arranging other debt restructuring ;

⑤Significant financial difficulty of issuer makes it impossible to trade financial assets on active market;

⑥There is no way to identify whether the cash flow of an financial asset in a group has been reduced or not, but an overall assessment with the public data confirms that the estimated future cash flow of the financial assets has been reduced and can be measured since the initial recognition of this group of financial assets;

⑦Material adverse changes in the technical, market, economic or legal environment of the debtor's operations make it hard for equity investors to recover their investment cost;

⑧The fair value of equity investment instrument decreases seriously or has witnessed long period decline;

⑨Other evidences showing the impairment of financial assets are found.

(2) Impairment test of financial assets (excluding receivables)

A. Held to maturity investment impairment test

The held to maturity investment is impaired, the carrying value of the held to maturity investment is reduced to the expected future cash flow (not including yet to happen in the future credit losses) value, the reduced amount is recognized as impairment loss in the current profits and losses.

The present value of future cash flows is expected to be discounted at the original effective interest rate of the held to maturity investment, and the value of the relevant collateral shall be taken into consideration (the expenses for the acquisition and sale of the collateral will be deducted). The original effective interest rate is the actual interest rate computed at the initial recognition of the held to maturity investment. When the floating interest rate is held to maturity, the current real interest rate stipulated in the contract can be used as the discount rate when calculating the present value of the future cash flow.

Even if the terms of the contract because of debt or financial assets issued financial difficulties and to agree or modify, in recognition of impairment losses, still modify the terms of the original actual interest rate of the financial assets are calculated.

The held to maturity investment impairment loss, if there is objective evidence that the held to maturity investment value has been restored, and the objective and that the loss occurred related matters (such as the debtor's credit rating has improved, etc.), the previously recognised impairment losses shall be reversed and included in the current profits and losses.

After the impairment of the investment held to maturity, the interest income is discounted according to the determination of the impairment loss, and the discount rate is calculated as the interest rate.

B. Impairment test of available for sale financial assets

In the balance sheet, the Japanese company analyzes the impairment of the available for sale financial assets to determine whether the fair value of the financial asset has continued to decline. Normally, if the financial assets available for sale of fair value relative to the cost of decline has reached or exceeded 50%, or falling time has been reached or exceeded 12 months, with consideration of all relevant factors, expected this downward trend is non-temporary, can determine the available for sale financial assets have been the impairment, impairment losses. In the event of any impairment of the available for sale financial assets, the accumulated losses of the original fair value falling directly into the owner's equity shall be turned out in the event of the recognition of the impairment loss, and shall be included in the impairment loss of the assets.

Whether or not any of the available debt instruments or financial assets is impaired may be analysed by reference to the aforesaid investment instruments available for sale.

Impairment losses arising from investments in available equity instruments may not be reversed by profit or loss.

For sale of debt instruments, after the impairment of the financial assets, the interest income shall be discounted against the future cash flow in accordance with the determined impairment loss, and the discount rate shall be calculated as the interest rate.

For recognized impairment losses on available for sale debt instruments, in the subsequent accounting period, the fair value has risen and objectively related to events that occur after the impairment losses were recognised, the previously recognised impairment losses shall be reversed and included in the current profits and losses.

(i) Method for determining the fair value of financial assets and financial liabilities

The Company's fair value of the relevant assets or liabilities is measured at the price of the main market, if such main market does not exist, the fair value of the relevant assets or liabilities will be measured at the most favorable market price.

The main market refers to the largest and most active market of the related assets or liabilities; The most favorable market refers to a market that is able to sell the related assets at the highest amount or transfer the relevant liabilities at the minimum amount after consideration of transaction costs and transportation costs. The Company takes the same assumption as market participants in the pricing of the asset or liability in order to maximize the economic benefits.

①Valuation techniques

The Company uses applicable valuation techniques with sufficient available data and other information. The valuation techniques used mainly include the market approach, the income approach, and the cost approach. The Company uses one or more consistent approach to determine the fair value. If a variety of valuation techniques are used to measure fair value, the rationality of the valuation results will be considered and, the most appropriate one to represent the fair value in the current circumstances will be selected.

In the application of valuation techniques, the relevant observable input values will be used first. Only when the observable input values cannot be obtained or not practical to get, then to use the unobservable input values. Observable input value refers to data that can be obtained from market. Unobservable input value refers to the data that cannot be obtained from the market. The input value is obtained based on the assumption that the market participants are using the best information for valuation of the relevant assets or liabilities.

②Fair Value Hierarchy

The Company divides the input value used for measuring fair value into three levels: level 1, level 2 and level 3. Input value of level 1 is used firstly, level 2 is used secondly, and level 3 is used finally. Level 1 input value refers to the unadjusted price for the same kind of assets or liabilities obtained on an active market on the measurement day. Level 2 input value refers to directly or indirectly observable value about the assets or liabilities other than level 1 value. Level 3 input value refers to unobservable value about the assets or liabilities.

3.11 Receivables

At the balance sheet date, the carrying value of the receivable is assess for impairment, when there is objective evidence that it is impaired, provision for impairment is made.

(a) Receivables with a single significant amount receivables with separate bad debt provision

The amount of accounts receivable over CNY1 million yuan (inclusive) or above is recognized by the Company as an individual amount of major receivable, other receivables of CNY5 million yuan (inclusive) or above are recognized by the Company as an individual amount of other receivable.

Standard of single significant amount: Any single sum amount over CNY10 million yuan is regarded as a significantly large single amount. Bad debt provision approach for significantly large single amount: receivables of significantly large single amount are subject to separate impairment test. Where impairment evidence is found, the difference between the present value of its future cash flow and its carrying value is recognized as impairment loss and used as the basis for bad debt provision.

The expected future cash flows of short-term receivables are very small compared with their present values, and the estimated future cash flows may not be discounted when determining the relevant impairment losses.

(b) Accounts receivable with provision for bad debts recognized on the basis of similar credit risk characteristics

Determine the basis of the combination:

Combination 1: Related partys and government combinations that do not generate bad debt risk，not to be extracted Impairment provision.

Combination 2：Accounts receivable except of combination1.

The method of extracting impairment provision for bad debts according to combination 2：Percentage of balance method.

Percentage balance method to extracte bad debt reserves

Portfolio	Proportion of provision for accounts receivable	Proportion of provision for other receivables
Combination 2	6.00	6.00

(c) Receivables with a single insignificant amount but with a separate bad debt provision

For receivables of single insignificant amount and with evidence of impairment, bad debt provision calculation based on age analysis cannot reflect the truth, the Company will separately perform impairment tests for such receivable, and the difference between the current value of its future cash flow and its carrying value is recognized as impairment loss and the bad debt provision is made accordingly.

3.12 Inventory

(a) Classification of inventory

Inventories are classified into raw materials, goods in transit, work in progress, finished goods, consigned processing materials, and low-value consumables, etc.

(b) Measurement method of dispatched inventory

The dispatched inventory is measured by weighted average method.

(c) Inventory system

The perpetual inventory system is adopted.

(d) Provision method for diminution in value of inventory

At the balance sheet date, the inventory is measured at the lower of cost and net realizable value, the part that the inventory cost is exceeding the net realizable value is recognized as provision for inventory and is recognized in profit or loss.

Net realizable value of inventory is determined based on the reliable evidence and factors such as the purpose of keeping inventory and influence of events after balance sheet date.

① Under normal operation condition, finished goods, commodities and available-for-sale materials are based on estimated selling price minus estimated selling and tax cost as net realizable value. For inventory held for sales or service contracts, contract price is used as the basis for measuring their net realizable value; if inventory on hand is more than the quantity of purchase order, the net realizable value in excess is measured based on general selling price. For available-for-sale materials, market price is used as the basis for measurement of net realizable value.

②For raw materials to be processed, under normal operation condition, the estimated selling price of finished goods produced from such raw materials minus estimated construction cost upon completion and selling and tax cost is recognized as net realizable value. If net realizable value of the finished goods is higher than cost, the materials are measured by cost; if, due to price fall, the net realizable value of finished goods is lower than cost, the materials are measured by net realizable value and the difference between the two is used as the basis for provision for obsolescence.

③Provision for obsolete stock is made by individual item; for inventory involving a great quantity and low unit price, provision is made by types of inventory.

④ If factors for inventory provision are gone at balance sheet date, the provided amount will be restored and reversed from the previous provision for inventory , the reversed amount is recognized in profit or loss.

(e) Method of amortization of revolving material

①The amortization method of low value and consumable goods: the primary transfer method is adopted when the utility model is used.

②The amortization method of package: when using, it adopts one turn.

3.13 Classified as the assets held for sale

The Company will recognize the combination parts of the enterprise (or non-current assets) which simultaneously meet the following requirements, as the components of the assets held for sale.

(i) The components should be immediately sold under the current condition only according to the usual terms of the parts sold.

(ii) The enterprise has made resolution for the disposal of the components, the approval of shareholders' meeting or relevant authority agency if the shareholder's approval is requested by the rules.

(iii) The enterprise has signed the irrevocable transfer agreement with the transferee.

(iv) The transfer shall be completed within one year.

3.14 Long-term equity investment

Company's long-term equity investment includes investment under control and equity investment where the Company can exercise significant influence and equity investment in joint venture. Where the Company is capable of exercising significant influence on the investee, it is the Company's associated company.

(a) Common control of and significant influence on investee

Common control means shared control of a certain arrangement based on relevant agreement and the decision for relevant activity of the arrangement may not be made unless with unanimous agreement of all parties sharing the controlling right. To judge whether there is common control, the first thing is to determine whether the arrangement is under collective control of all participating parties or groups of participating parties. If decision on the activities of certain arrangement may not be made unless all participating parties or one group agree, it is deemed that all participating parties or one group of participating parties control the arrangement. Second, to figure out whether the decision on the relevant activities of the arrangement calls for the unanimous agreement of all the participating parties that control the arrangement. Where two or more groups of participating parties can collectively control an arrangement, it is not deemed common control. Protective rights are no need to be taken into account when judging if there is common control.

Significant influence means investor has the right to participate in the decision-making process of the investee but does not have control alone or in conjunction with others over the decision-making process. When determining investor’s ability to significantly influence the investee, the Company will consider the voting shares that investor holds directly or indirectly in the investee and the impact on investee when the potential voting right investor and other parties hold in the current period are, presumably, converted into equity in investee, including impact of convertible equity warrant, stock option and convertible corporate bonds that investee issues during the current period.

Generally, the Company is deemed to have a significant influence on an investee’s in which Company holds, directly or through subsidiary, 20% (including 20%) or more but less than 50% voting shares, unless there is a clear evidence showing that Company is not able to participate in the investee’s operation decision-making process or exercise significant influence on it.

(b) Determining initial investment cost

①Long term equity investment cost arising from business combination activities is determined by rules below:

A. Where, in the case of merger with a target company under the common control, the Company pays the consideration with cash or non-cash assets by taking over the liabilities of the target company, the carrying value of the owners' equity in the target company as reflected in Company's consolidated financial statements at the merger date is recognized as Company's initial cost for long term equity investment. Capital reserve is adjusted according to the difference between the Company's initial cost for long term equity investment and the cash and non-cash assets that the Company pays and liabilities that the Company takes over; where capital reserve is not enough for offsetting, retained earnings will be adjusted.

B. For business combination under the common control, the acquirer pays the consideration with equity securities, then the carrying value of the owners' equity in the target company is recognized as the initial cost of long term equity investment in the acquirer's consolidated financial statement at the merger date. The difference between the initial cost for long term equity investment and total par value of the issued shares is adjusted to capital reserve account, if capital reserve is not enough for offsetting, retained earnings is adjusted.

C. If business combination is not under common control, the initial cost of long term equity investment is determined by the fair value of the assets liability to bear and issued bond that the acquirer pays to get control of the acquiree. The intermediary expenses arising from consolidation, such as audit, legal services, assessment, as well as other relevant administrative expenses are recognized in the acquirer's profit or loss in the current period.

②For long term equity investments other than those arising from business combination, cost is determined by the rules below:

A. For long term equity investment acquired by cash payment, the actual payment is the initial cost. Initial investment cost includes costs, taxes and other necessary expenses directly related to the long-term equity investment.

B. For long term equity investment paid by equity securities issued, the fair value of the issued equity securities is recognized as the initial investment cost.

C. For long term equity investment exchanged with non-cash asset, if the transaction has commercial substance and the non-cash assets fair value is measurable, then the fair value of the exchanged asset and tax cost involved is recognized as initial investment cost and the difference between fair value and carrying value of the exchanged asset is recognized profit or loss. Where the above two conditions cannot be satisfied at the same time for the exchanged non-cash asset, the carrying value of the exchanged asset and tax cost involved are recognized as initial investment cost.

D. For long term equity asset obtained through debt restructuring, the fair value of the share obtained is recognized as initial investment cost and the difference between initial investment cost and the carrying value of the debts is recognized in profit or loss.

(c) Subsequent measurement and recognition of profit or loss

Cost method is used to account for long term equity investment if the Company can exercise control on the investee and equity method is used to account for long term equity investment in associated company and joint venture.

①Cost method

For long term equity investment adopting cost method, the cost of long term equity investment is adjusted when such investment is increased or disposed; cash dividend or profit announced by the investee is recognized as investment income.

②Equity method

Generally, for long term equity investment with equity method, accounting practice is as below:

When the Company’s cost for long term equity investment is more than the fair value of the target’s net identifiable asset that the Company is entitled to, the initial cost for long term equity investment is not adjusted; when the Company’s cost for long term equity investment is less than the fair value of target’s net identifiable assets that the Company is entitled to, the difference is recognized in profit or loss and the cost of long term equity investment is adjusted accordingly.

The Company recognizes investment income and other comprehensive income respectively for the share of the net profit or loss and other comprehensive income of the investee and the carrying value of long term equity investment is adjusted; the Company reduces the carrying value of long term equity investment according to the investee's announced profit or cash dividend; the Company also adjusts carrying value of long term equity investment and recognize it in owners' equity to reflect change of owner's equity of the investee other than net profit or loss, other comprehensive income and distributable profit. In recognizing the investee's net profit or loss, the Company will base on the fair value of the net identifiable assets of the investee at time of acquisition to adjust the investee's net profit. Where the accounting policy and period adopted by the investee are different from those of the Company, the investee's financial statements are adjusted to comply with the Company's own accounting policy and period and investment income and other comprehensive income is recognized accordingly. The Company's profit arising from unrealized internal transaction is offset between Company and associated company or joint venture and investment income is recognized accordingly. Where any asset impairment loss is provided due to unrealized internal transaction loss between the Company and the investee, such loss is recognized in full amount.

Due to the reasons such as additional investment, the Company can exercise significant influence or common control, but not control on the investee or the sum of the fair value of the equity originally held and new investment cost is recognized as the initial investment cost using equity method. The equity investment original held which is classified as financial assets available for sale, the difference between the fair value and carrying value and the cumulative fair value changes included in other comprehensive income of this equity investment is transferred to the profit or loss using equity method.

Due to partial disposal of the equity investment, the Company loses the joint control or significant influence on the investee, the remaining equity investment is measured at fair value, the difference between the fair value and its carrying amount is recognized in profit or loss at the date when joint control or significant influence is lost. The other comprehensive income arising from the original equity investment using the equity method is adjusted with the same accounting treatment as the treatment to the relevant assets and liabilities of the investee when stop using equity method.

3.15 Investment Properties

(a) Classification of Investment Properties

An investment property is a property that is held for rent or capital gain, or both. Mainly include:

①Leased land use rights.

②Holding and preparing the land use rights after value-added.

③Leased building.

(b) The measurement mode of investment property

The Company adopts the cost model for measurement of investment properties. For investment properties held for lease purpose under the cost model, the Company adopts the same depreciation policy as that of fixed assets, and adopts the same amortization policy for land use rights as that of intangibles.

The cumulative impairment and net residual value according to depreciation or amortization of investment real estate minus the cost of the Company, the real estate investment category, estimated economic life and the expected net salvage value rate depreciation and depreciation rates were determined as follows:

categories	Depreciation life (year)	Residual rate (%)	Annual depreciation rate (%)
Buildings and constructions	35、45	5.00	2.71、2.11
Land	35、45		2.86、2.22

3.16 Fixed assets

Company fixed assets refers to the tangible assets held for the production of goods, services, rental or business management, and the service life of more than one accounting year.

(a) Recognition of fixed assets

A fixed asset is recognized according to the cost of purchase at date of purchase when all the following conditions are satisfied:

① It is probable that economic benefits associated with the asset will flow to the enterprise.

② The cost of the asset can be reliably measured.

Subsequent expenditures incurred for the fixed assets are included as part of the cost of fixed assets if the expenditures meet the aforementioned conditions, otherwise the expenditures are recognized as expense in profit or loss when they are incurred.

(b) Depreciation methods of different categories of fixed assets

Fixed assets are depreciated on a straight-line method starting from the next month after they are ready for intended use. The depreciation life and annual depreciation rates are determined according to the category of fixed assets, estimated useful life and estimated residual rate：

Categories of fixed assets	Depreciation life (year)	Residual rate (%)	Annual depreciation rates (%)
Buildings and constructions	10-30	0-10	3-10
Machinery equipment	5	5	19
Office equipment and others	5-10	0-10	9-20
Vehicles	5-10	0-10	9.00-20
Special equipments	8	3	12.125

When making provision for depreciation for impaired fixed assets, the provision is based on the fixed assets value after impairment.

At the end of every year, the Company will review the fixed assets' useful life, estimated net residual value and depreciation methods. The useful life is subject to adjustment if the estimated useful life is different from the prior estimation.

(c) Recognition, valuation and depreciation of fixed assets under finance leases

When the Company leases a fixed asset and substantially transfers all risks and rewards associated with the assets, this asset is recognized as a fixed asset acquired under finance lease. The cost of the fixed assets acquired under finance lease is recognized by fair value of the asset on inception of lease or the present value of the minimum lease payment, whichever is lower. The same depreciation policy applies to both fixed asset acquired under finance lease and self-owned fixed asset. When the Company is reasonably sure that it will acquired the asset it leased after the expiry of the term of lease, the asset will be depreciated over its useful life; when the Company is not sure whether it will be able to acquire the ownership of the asset it leased after the expiry of the term of lease, the asset will be depreciated over the term of lease or its useful life, whichever is shorter.

3.17 Construction in progress

(a) Construction in progress is accounted for on project basis

(b) Basis and timing for transferring construction in progress to fixed assets

All expenditures incurred before a construction in progress is ready for its intended use is recognized as cost of fixed assets when transferred from this construction in progress. Such expenditures include construction fees, purchase cost of machinery and equipment, necessary expenses incurred for the construction in progress's to get ready for its intended use, as well as borrowing costs and expenses incurred for the fixed to get ready for its intended use. The Company will transfer the construction in progress to fixed asset when the installation or construction is completed and ready for its intended use. For fixed assets that have been ready for intended use but completion accounts is not yet finalized, the asset's estimate value is based on the project budget, its construction cost or actual cost, and the asset is depreciated according to the Company's asset depreciation policies. After the completion account is finalized, the estimated value is adjusted according to the actual cost, but the provisions for depreciation that have already been recognized are not adjusted.

3.18 Borrowing costs

(a) Basis of capitalizing borrowing costs and period of capitalization

Borrowing costs incurred by the Company that can be directly attributable to asset construction or production is capitalized and recognized as asset cost when they meet all of the following conditions:

① Expenditures for the assets have been incurred;

② Borrowing costs have been incurred;

③ Asset construction or production activities that were necessary to get the assets ready for intended use have begun.

Other interest expenses on borrowings, discount or premium and exchange difference is recognized in profit or loss.

When the asset construction or production was abnormally disrupted, and the disruption lasts for more than three consecutive months, capitalization of the borrowing costs is suspended.

When the asset construction or production eligible for capitalization is ready to be used or sold, capitalization of the borrowing costs is suspended; future borrowing costs is recognized as expenses when they are incurred.

(b) Capitalization rate of borrowing costs and computing of capitalization

When the Company makes special borrowings to construct or produce assets that can be capitalized, the capitalization amount on the special borrowings shall be determined by the interest expenses on the special borrowings minus the interest income generated by depositing the unused borrowing money in the bank or investment income generated making temporary investment with the unused borrowed money.

When the Company takes up general borrowings to construct or produce assets that can be capitalized, the capitalization amount on the general borrowings shall be determined by the weighted average of the excess of accumulated expenditure over the expenditure from special borrowing, multiplying the capitalization rate of the used general borrowings and interest to be capitalized is determined. The capitalization rate is determined according to the weighted average interest rate of the general borrowings.

3.19 Intangible assets

(a) Measurement method of intangible assets

Intangible assets are recognized by their initial cost of acquisition.

(b) Useful life and amortization of intangible assets

①Estimation of the useful life of intangible assets with finite useful lives

Item	Expected useful life	Basis
Land use right	30 years or 70 years	Useful life
Software	5 years	Expected benefit periods

At the end of each report period, the Company reviews the useful lives and amortization method for intangible assets with finite useful lives. Review at the end of the current reporting period indicates that the intangible assets' useful lives and amortization method are of no difference as compared with previous estimation.

②When the period of economic benefits that the intangible assets bring to the Company is unpredictable, it will be categorized as intangible assets with indefinite useful lives. For such kind of intangible assets, the Company reviews their useful life at the end of each reporting period. If the respective useful life remains unable to be determined, the assets would be tested for impairment on the balance sheet date.

③Amortization of intangible assets

For the usage of intangible assets with finite useful lives, the Company determines its useful lives and at its acquisition and amortized over the useful lives using the straight-line method, the amount of amortization is recognized in profit or loss according to its usage. The amortization amount is computed by acquisition cost net of estimated residual value, and recognized in profit or loss. The computation of amortization amount should also net of the accumulated provision for impairment losses if an impairment loss was provided for such intangible assets. The intangible asset's residual value shall be considered zero except for the following circumstances: A third party committed to acquire the intangible asset when its useful life expires, or the residual value can be estimated in an active market, and the market is likely to exist when the useful life expires.

Intangible assets with indefinite useful lives are not amortized. At the end of each reporting period the Company reviews the useful lives of intangible assets with indefinite useful life. If there are evidences that suggest the intangible assets have finite useful lives, the Company will estimate the assets' useful lives and provide reasonable amortization during the estimated useful life.

3.20 Long-term asset impairment

(a) Impairment test and accounting methods for long-term equity investment

The Company examines each long-term equity investments at the balance sheet date to determine whether there are evidence that the value of its long-term equity investments should be impaired according to various changes in the invested entity's business policies, legal environment, market demand, industry, profitability and etc. When the recoverable amount of a long-term equity investment is lower than its carrying value, an impairment loss would be recognized at the difference between the carrying value of the long-term equity investment and its recoverable value. Once the loss of asset impairment is recognized, it cannot be reversed in the future accounting periods.

(b) Impairment test and accounting methods for fixed asset

The Company assesses the fixed assets at the balance sheet date, when there is any evidence that the estimated recoverable amount is lower than its carrying value, the carrying value is write down to its recoverable amount, the write-down amount is recognized as impairment loss in profit or loss, the corresponding provision for asset impairment is accrued at the same time. Once the loss of asset impairment is recognized, it will not be reversed in the future accounting periods.

(c) Impairment test and accounting methods for fixed asset

The Company assesses the fixed assets at the balance sheet date, when there is any evidence that the estimated recoverable amount is lower than its carrying value, the carrying value is write down to its recoverable amount, the write-down amount is recognized as impairment loss in profit or loss, the corresponding provision for asset impairment is accrued at the same time. Once the loss of asset impairment is recognized, it will not be reversed in the future accounting periods. When any of the following conditions exist, impairment loss is provided in full for the fixed assets.

①The fixed assets which were idle for a long period, not expected to use in the foreseeable future and has no value to be transferred;

②The fixed asset can no longer be used because of technology change or other reasons;

③Although the fixed assets still can be used, a large amount of sub-standard products would be produced in using such fixed assets ;

④The fixed asset has been damaged that it has no value to be used or transferred;

⑤Other fixed assets that can no longer bring any real economic benefits to the Company.

(d) Impairment test and accounting methods for construction in progress

The Company conducts comprehensive inspection of the construction in progress at the balance sheet date, if there is evidence that the construction in progress has been impaired, the recoverable amount estimated is lower than its carrying value, the carrying value is reduced to its recoverable amount, the reduced amount is recognized in profit or loss, an impairment provision is made accordingly. Once the loss of asset impairment is recognized, it cannot be reversed in the future accounting periods. If any one or more of the following conditions exist, impairment tests for construction in progress are conducted.

①The construction in progress has been expended for a long period, and is not expected to reopen in the next three years;

②The construction projects have lagged behind whether in performance or in technology, and there is fundamental uncertainty for bringing economic benefits to the enterprise;

③Other evidences which prove that the construction in progress has been impaired.

(e) Impairment test and accounting methods for intangible asset

When the intangible asset's recoverable amount is lower than its carrying value, the carrying value of the asset is reduced to its recoverable amount, the reduced amount is recognized as impairment loss and recognized in profit or loss, a provision for impairment of intangible assets is made accordingly. Once the impairment loss of intangible assets is confirmed, it cannot be reversed in the future accounting periods. If any one or more of the following conditions exist, impairment tests for intangible assets are performed.

①The intangible asset has been replaced by new technologies, and its ability to create economic benefits for the Company has been adversely affected significantly;

②The intangible asset's market value has fallen sharply in the current period and may not restore in the remaining useful life;

③Other evidences to prove that the intangible asset's carrying value has been higher than its recoverable amount.

(f) Impairment testing of goodwill

Goodwill created by a business combination shall be subject to impairment tests at least at the end of each year. In the impairment test of the relevant asset group or portfolio of goodwill containing the Company, if there are signs of impairment in the asset group or asset group associated with the goodwill, the following procedure shall be taken:

First tested for impairment does not contain an asset group or combination of asset groups, calculate the recoverable amount, and compared with the book value of assets, confirmation of the impairment loss of goodwill; then contains the asset group or combination of asset groups that are tested for impairment than the related asset group or combination of asset groups book the value (book value includes share of goodwill) with the recoverable amount, such as asset group or combination of asset groups the recoverable amount is lower than its book value, the difference between the impairment loss. The amount of impairment loss first offset apportioned to the asset group or combination of asset groups in the goodwill of book value; then according to the book value of the asset group or combination of asset groups except the goodwill of the other assets of the proportion of the book value, according to the proportion of the assets of the other deductions.

3.21 Employee benefits

Employee benefits represent various remuneration and compensation provided by the Company to obtain the service or to terminate the employment relations. Employee benefits include short term salaries, welfare after leaving, welfare of dismissal and other long-term employee benefits. The welfares provided to employees' spouses, children, dependents, deceased employee and other beneficiaries also belong to the employee benefits.

(1) Accounting for short-term employee benefits

①Basic benefits (salary, bonus, allowance, subsidy)

During the reporting period in which the employees provide service for the Company, the short-term compensation which actually occurs is recognized as a liability, and shall be recognized in profit or loss, other than the exception that is required or permitted to be included in the cost of assets pursuant to other accounting standards.

②Staff welfare

Staff welfare are recognized in profit or loss or related cost of assets when they are incurred. If the welfare benefits are not monetary, they are measured by fair value.

③Medical insurance, employee injury insurance, maternity insurance and other social insurance and housing fund, as well as labor union fee and staff education fee

The Company pays the medical insurance, employee injury insurance, maternity insurance and other social insurance and housing fund for employee, and provide labor union fee and employee education fee according to the regulations, computes the employee benefits on the regulated accrual basis and percentage, and recognizes the corresponding liability and also recognizes it in profit or loss or related cost of assets.

④Short-term compensated leaves

The Company recognizes employee benefits for cumulative compensated leaves as the employee provide services and increase their rights to enjoy paid leaves, and measured by the increased expected paying amount in respect of the cumulative unexercised rights. The Company recognizes the employee benefits associated with the non-cumulative compensated absence during the accounting period when employees take leaves.

⑤Short-term profit sharing plan

When a profit sharing plan meets all of the following conditions, the Company recognizes the employee benefits payable.

A.When the Company has a present legal or constructive obligation to pay employee benefits as a result of past events;

B.The employee benefits payable resulting from the profit sharing plan can be reliably estimated.

(2) Accounting method for post-employment benefits

①Defined contribution plan

During the accounting period when employees render service to the Company, the amount of contributions payable are recognized as liabilities and recognized in profit or loss or related asset cost.

Pursuant to defined contribution plan, the amount of payable is not expected to be settled in full within the 12 months immediately after the end of the reporting period. The Company would discount the payables to its present value at the corresponding discount rate. (The discount rate is determined by reference to the yield on government debts or high-quality corporate bonds with deep markets, which subject to the same period and currency as that of the Company’s obligation under the defined contribution plan at the end of the reporting period.) The entire payable to employee’s benefits is stated at the discounted amount.

②Defined benefit plan

A. Determine the present value and current service cost of the defined benefit plan

According to the projected unit credit method, the Company adopts unbiased and consistent actuarial assumptions to estimate the demographic variables and financial variables, measure the obligations under the defined benefit plan and determine the time period in which the obligations are vested. (The Company would discount the payables to its present value at the corresponding discount rate. The discount rate is determined by reference to the yield on government debts or high-quality corporate bonds with deep markets, which subject to the same period and currency as that of the Company's obligation under the defined benefit plan at the end of the reporting period.). The obligation under defined benefit plan is discounted to determine its present value and current service cost.

B. Determine the net liability or net asset of the defined benefit plan

When there are assets under the defined benefit plan, the net liability or net asset of the plan is measured by the deficit or surplus resulting from the difference of the present value of obligation under defined benefit plan and the fair value of those assets.

If a defined benefit plan has a surplus, the Company will measure the plan's net asset as the lower of the surplus and its asset ceiling.

C. Determine the amount that recognized as cost of assets or in profit or loss.

Service cost including current service cost, past service cost and profit or loss at settlement. Unless required or permitted by other accounting principles that the current service cost to be capitalised into the cost of assets, other service cost is recognized profit or loss.

Net interest generated from the net liability or net asset of the defined benefit plan, including interest income from the plan's assets, interest expense from the plan's liability and interest relating to the impact of the plan's asset ceiling, is recognized profit or loss.

D. Determine the amount that recognised in other comprehensive income

Remeasure the changes of the net liability or net asset of the defined benefit plan, including:

(a) Actuarial gains or losses, that is, increase or decrease in the present value of the obligation of the defined benefit plan arised from actuarial assumptions and experience adjustments;

(b) Return on the plan's asset, net of the net interest arising from the plan's net liability or net asset;

(c) Changes relating to the impact of the plain's asset ceiling, net of the net interest arising from the plan's net liability or net asset.

The changes arising from the remeasurement of the net liability or net asset of the defined benefit plan are recognized immediately in other comprehensive income, and are not permitted to be retransferred into the profit or loss in the future accounting periods, but the Company can appropriate these amounts recognized in other comprehensive income.

(3) Accounting method for termination benefits

The Company provides termination benefits to its employees, liability of termination benefits are recognised and recognized in profit or loss at the earlier of the following dates:

①When the Company can not unilaterally withdraw the termination benefits it provided under the termination plan or the voluntary redundancy plan;

②When the Company recognizes costs or expense for a restructuring plan which involves the payment of termination benefits.

When the sum of termination benefits is not expected to be settled in full within the 12 months immediately after the end of the reporting period, the amount is discounted to its present value at the corresponding discount rate. The discount rate is determined by reference to the yield on government debts or high quality corporate bonds with deep markets, which subject to the same period and currency as that of the Company's obligation under the defined benefit plan as at the end of the reporting period. The accrued termination benefit is stated at the discounted amount.

(4) Accounting method of other long-term employee benefits

①Fulfilling the conditions of defined contribution plan

When the other long-term employee benefits provided by the Company fulfill the conditions of defined contribution plan, employee benefits payable is measured by discounted value of the total amount payable.

②Fulfilling the conditions of defined benefit plan

At the end of a reporting period, the Company recognize the cost of employee benefits arising from other long-term employee benefits to the following components:

A. Service cost;

B. Net interest arising from the net liability or net asset of other long-term employee benefits;

C. Changes arising from the re-measurement of the net liability or net asset of other long-term employee benefits.

For the purpose of simplified accounting treatment, the net sum of the items above is recognized in the profit or loss of the current period, or the corresponding cost of assets.

3.22 Estimated liabilities

(1) Recognition of estimated liabilities

Provision is recognized when the Company has an obligation related to a contingency, which meets all of the following conditions:

① It is a present obligation assumed by the Company;

② It is probable that an outflow of economic benefits will be required to settle the obligation;

③ The amount of the obligation can be reliably measured.

(2) Measurement method of Estimated Liabilities

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation, taking into account such factors as risk, uncertainty associated to contingency and the time value of money. At balance sheet date, the Company reviews the carrying amount of provision. If there are conclusive evidences which indicate the carrying amount cannot reflect the best estimate, the carrying amount is adjusted to reflect the best estimate.

3.23 Share-based Payments

(a) The classification of share-based payments

The share-based payments shall consist of equity-settled share-based payments and cash-settled share-based payments.

(b) Determining methods for fair value of equity instruments

①The fair value of the shares granted to the employee shall be measured according to the market price of the shares of the Company, at the same time, consideration shall be given to the terms and conditions of the grant of shares (excluding the right of access under the market conditions).

②For stock options granted to employees, it is difficult to obtain market prices in many cases. If there is no trading option with similar terms and conditions, the Company chooses the applicable option pricing model to estimate the fair value of the option.

(c) Basis of best exercisable equity instruments estimate

Every balance sheet day during the vesting period, the Company makes best estimate according to the most updated number of employees that are eligible to exercise their options and adjusts the quantity of exercisable equity instruments. On vesting dates, the final estimated quantity of exercisable equity instruments is consistent with the actual exercisable quantity.

(d) Accounting treatment for implementation, amendment and termination of Share-based payments

①A cash settled share payment granted immediately after the date of the grant, and the fair value of the Company's liabilities shall be included in the relevant costs or expenses on the date of grant, and the liabilities shall be increased accordingly. The fair value of the liabilities shall be measured again on each balance sheet date and the balance sheet date prior to the settlement, and the changes shall be included in the profits and losses.

②After the completion of the waiting period up to the required service or performance conditions to exercise the cash settled share based payment in the waiting period for each balance sheet date to the best estimate of the right situation as the foundation, according to the fair value of the liability of the Company will undertake, when made of cost or service expenses and the corresponding liabilities.

③Equity settled share payment in exchange for employee services immediately after the grant of the award; on the date of grant, the fair value of equity instruments shall be included in the relevant costs or expenses, and accordingly the capital surplus shall be increased accordingly.

④After the completion of the waiting period up to the required service or performance conditions can only be exercised in return for services of employees with equity settled share based payment in the waiting period for each balance sheet date, with the best estimate of the number of vested equity instruments as the basis, according to the fair value of the equity instruments granted on, will be obtained in the current the service included in the cost or expenses and the capital reserves.

(e) The accounting treatment of the modification of the share payment plan;

In the event of the modification of the share payment plan, if the amendment adds to the fair value of the equity instrument granted, the corresponding increase in the amount of the equity instrument shall be recognized accordingly; If the amount of the equity instrument granted is increased, the fair value of the equity instrument added is accordingly recognized as an increase in the amount of services received. The increase in fair value of equity instruments refers to the difference between the fair value of the equity instruments modified before and after the revision date. If the modification reduces the total fair value of the shares to pay or other workers is not conducive to the way of modifying the share based payment terms and conditions will continue to the service accounting, as the change of equity instruments never occurred, unless the Company canceled some or all have been granted.

(f) The accounting treatment of the termination of the share payment plan;

If the equity instrument or settlement of the equity instrument granted (otherwise excluded from the exercise of the right) is cancelled during the waiting period, the Company:

① The cancellation or settlement shall be used as an accelerated exercise, immediately confirming the amount originally recognised in the remainder of the waiting period;

②In the cancellation or settlement, all payments to the employee are treated as repurchase of interest, and the amount of the repurchase payment is higher than that of the equity instrument, which is included in the fair value of the repurchase date and is included in the current expenses.

If the Company purchases the rights and interests instruments that its employees have already exercised, it shall reduce the owner's equity of the enterprise; the amount of the repurchase payment shall be higher than that of the equity instruments, and shall be included in the fair value of the repurchase date in the current profits and losses.

3.24 Principles for recognizing revenue and methods of measurement

(1) Revenue from sales of goods

Revenue from sales of goods is recognized when all the following conditions are satisfied: The Company has transferred the significant risks and rewards of ownership of the goods to the buyer; the Company maintains neither managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; it is probable that related economic benefits will flow to the Company; the related cost that has incurred or might be incurred and can be reliably measured.

(2) Revenue from provision of labor service

When the result of the labor service can be reliably estimated at the date of balance sheet, the revenue from provision of labor service is recognized according to the percentage of completion method. The stage of completion of the labor service is determined according to the certified completed work.

The result of the labor service can be reliably estimated when all of the following conditions are satisfied: A), the revenue can be reliably measured; B), it is probable that related economic benefits will flow to the Company; C), the progress of the labor transaction can be reliably measured; and D), the related cost that has incurred or might be incurred can be reliably measured.

The Company calculates the total revenue of labor service according to the amount indicated in the contract or agreement that have already been received or to be received, unless the amount indicated in the contract or agreement received or not received is not fair. At the balance sheet date, the Company recognises the revenue of labor service for a period by multiplying the total revenue of labor service with the stage of completion, minus the revenue of labor service that has been recognized at previous accounting periods. The Company recognises the cost of labor service for a period by multiplying the total estimated cost of labor service with the percentage of work progress, minus the cost of labor service that has been recognized in previous accounting periods.

If the result of labor services cannot be reliably estimated at balance sheet date, the revenue from provision of labor services is recognised according to the following basis:

①When the incurred labor cost is expected to be compensated, the incurred labor cost is recognized as the revenue of labor service, and recognize the same amount as labor cost.

②When the incurred labor cost is not expected to be compensated, the incurred labor cost is recognized in profit or loss, and the revenue of labor service is not recognized.

(3) Revenue from transfer of right to use of assets

When it is probable that the related economic benefits will flow to the Company, and the revenue can be reliably measured, the revenue from transfer of right to use assets is recognized as follows.

① Interest income is calculated according to the period of time the borrowers have the right to use the Company's cash and the actual interest rate.

② Revenue from the right of use is determined according to the time of use and basis as stated in the relevant contracts or agreements.

(4) Detailed methods of company income

Gas sales revenue：Confirm in accordance with the method of merchandise sales income, the main risk and remuneration transfer of merchandise ownership, the income and cost can be measured reliably, at the end of each month according to the gas supply quantity to determine the income.

Commercial residential building sales income：acceptance by owner, delivered to the owners of commercial housing for the income recognition point.

3.25 Government grants

The Company recognizes the non-repayable monetary assets or non-monetary assets obtained from the government, excluding capital investment made by the government as an investor, as government grants.

Government grants include asset-related grants and revenue-related grants.

(1) Basis of judgment on asset-related government grants and accounting methods

The Company receives grants from the government for the purchase, construction or otherwise formation of long-term assets and is recognized as a government subsidy related to assets.

Government grants related to assets are recognised as deferred gains and are equally distributed within the useful life of the underlying asset, included in current profits and losses. However, government subsidies measured in nominal amounts are directly included in current profits and losses.

(2) Basis of judgment on revenue-related government grants and accounting methods

The Company recognizes various rewards, fixed subsidies, interest subsidies, R&D grants (excluding appropriations for acquiring or building fixed assets) from the government that are unrelated to asset as revenue-related government grants.

Revenue-related government grants are separately accounted for as follows:

① The government grants which are intended to compensate the Company's related expenses and losses in subsequent periods are recognized as deferred income and recognized in profit or loss in the period when the related expenses are recognized;

② The government grants which are intended to compensate the Company's incurred expenses and losses are recognized in profit or loss.

3.26 Deferred income tax assets and deferred income tax liabilities

The Company generally recognizes and measures deferred tax liabilities and deferred tax assets arising from the tax effect of taxable temporary differences and deductible temporary differences by using the balance sheet liability method, according to the temporary differences between the carrying amounts of assets and liabilities at the balance sheet date and their tax base. The Company does not discount the deferred tax assets and deferred tax liabilities.

(1) Recognition of deferred income tax assets

With respect to deductible temporary difference, the income tax effect will be measured according to the income tax rate to be levied during the expected period of expatriation, and the effect will be recognized as deferred income tax assets, However, it is limited to the expected future taxable profits available for offsetting with those deductible taxable difference, deductible tax losses and tax deductions.

Deferred tax assets are not recognized when the effect to income tax of deductible temporary differences arose from the initial recognition of assets and liabilities from transactions or events that fulfill the following characteristics:

A. The transaction is not a corporate merger;

B. It has no impact on accounting profit or taxable income (or deductible loss) when the transaction took place.

The deductible temporary differences related to the Company's investments in subsidiaries, associated companies and joint ventures are recognized as deferred income tax asset, only when the following two conditions are satisfied.

A. It is probable the temporary differences will be reversed in the foreseeable future;

B. It is probable to have taxable income that can be used to offset deductible temporary differences in the future.

At the balance sheet date when there are solid evidences suggesting the Company will likely get enough taxable income in the future to offset deductible temporary differences, deferred tax assets not recognized in prior periods should be recognized.

The Company reviews the carrying value of deferred tax assets at the balance sheet date. When it is unlikely to have enough taxable income in the future to offset deductible deferred tax asset, the deferred income tax asset's carrying value is written down. If it is probable that the Company will get enough taxable income, the write-down is reversed.

(2) Recognition of deferred tax liabilities

The Company adopts the income tax rate during the expected reversal period to measure the impact on income tax arose from taxable income's provisional differences, and recognizes the impact as deferred income tax liabilities, except for the following circumstances:

① The impact of taxable temporary differences arose from the following transactions or events is not recognized as deferred tax liabilities:

A. Initial recognition of goodwill;

B. Initial recognition of an asset or liability in transactions that are not business combinations and, at the time of the transaction, affects neither the accounting profit, taxable income nor deductible losses.

② Under general circumstances, the impact of taxable temporary differences relating to the Company's investments in subsidiaries, associated companies and joint ventures, are recognized as deferred tax liabilities, except when the following two conditions apply:

A. The Company can control when to reverse the temporary differences;

B. The temporary differences are probably not going to be reversed in the foreseeable future.

(3) Recognition of deferred tax liabilities or assets relating to specific transactions or events

①Deferred tax liabilities or assets relating to business combination

For taxable temporary differences or deductible temporary differences arose from business combinations not under common control, the deferred tax expenses (or credits) would generally be adjusted to goodwill under the business combination when the deferred tax liabilities or assets are recognized.

②Items directly recognized in the owner’s equity

Income tax and deferred tax in relation to transactions or events that should be directly recognized in owner’s equity, is directly recognized in the owner’s equity. Such transactions or events include: Other comprehensive income from changes in fair value of available-for-sale financial assets, retained earnings adjustment from adoption of new accounting policies or correcting accounting errors retrospectively, and hybrid financial instruments consisting of debt and equity interest which is recognized in owner’s equity at initial recognition.

③ Reparable losses and tax credits

A. Reparable losses and tax credits generated by the Company from its operations

Deductible loss is a loss allowed by the tax law to be offset by taxable income in the subsequent financial years. Unutlized losses (Deductible losses) and tax credits that are allowed to be reversed in subsequent financial years are treated as deductible temporary differences. If the Company expects to get enough taxable income to offset reparable losses or tax credits, the deferred tax asset is recognized as much as the taxable income it expects to get, and is used to be set off with the income tax expenses in the profit or loss.

B. Unutilized losses of the merged enterprise caused by business combinations

In a business combination where the Company obtains the acquiree's deductible temporary differences, it should not recognize them if they do not meet the conditions to be recognized as deferred tax assets at the date of acquisition. Within 12 months from the date of acquisition, if new or further information suggests the economic benefits to be brought by the deductible temporary differences can be realized, the deferred tax asset is recognized and goodwill is decreased. If goodwill is not enough to offset, the shortfall is recognized in profit or loss. Except for the aforementioned circumstances, the deferred tax assets relating to business combination are recognized in profit or loss.

④ Temporary differences caused by elimination due to combination

When the Company prepares consolidated financial statements, if there are temporary differences between the carrying value of its assets and liabilities and its tax base, the differences are recognized as deferred tax assets or deferred tax liabilities in the consolidated balance sheet, and the income tax expenses in the consolidated income statement is adjusted accordingly, except for deferred tax for transactions or events relating to business combinations which is directly recognized in owner's equity.

⑤ Equity-settled share-based payments

When the tax law allows pretax deductions of expenses relating to share-based payments, during the period when the cost is recognized according to accounting principles, the Company determines its tax base and temporary differences according to information it obtains at the end of financial period, and recognizes the deferred tax if relevant conditions are satisfied. When it expects the pretax deductions exceed the cost associated with equity payments recognized according to accounting principles, the excessive income tax impact is recognized directly to income tax benefits.

3.27 Operating leases and finance leases

In essence, the leasing of all risks and rewards relating to the ownership of the property as a financial lease is, in addition, an operating lease.

(a) Accounting treatments for operating leases

The Company shall, as the lessee of the lease operation, pay the rental expenses for the operation of the lease, and shall be credited to the current profits and losses in accordance with the straight-line method or the amount of the leased assets during the period of the lease term. The Lessor provides rent free period, the Company will not deduct the total rent in the rent free period throughout the lease period, assessed by the straight-line method or other reasonable methods, rent expenses and the corresponding liabilities that rent free period. Where the lessor is responsible for certain expenses of the lessee, the balance of the rental expenses deducted from the total amount of the rental fee shall be paid by the lessor during the lease term. The initial direct charges are included in the current profits and losses. In the event of an agreement or rental, it is included in the current profits and losses when it actually occurs.

When the Company operates the rental lessor, the rent will be recognized as proceeds in the lease term by the straight-line method. The Lessor provides free lease, the lessor shall not deduct the total rent on the rent free period throughout the lease period, to be allocated by the straight-line method or other reasonable methods, the lessor rent free period also confirm the rental income. In the case of certain expenses of the lessee, the balance of the rental income after the deduction of the cost from the total amount of rental income shall be allocated during the lease term.

The initial direct charges are included in the current profits and losses. If the amount is large, it shall be capitalized, and shall be included in the current profits and losses in the whole period of the operation lease according to the same basis as the recognition of the rental income. If the agreement is agreed or has the rent, it shall be included in the current income when it actually occured.

(b) Accounting treatments for finance leases

①The Company as a finance lease the lessee, the lease beginning date, will begin to lease on the lower one of the fair value of the leased asset and the present value of the minimum lease payments as the recorded value of leased assets, the amount of the minimum lease payments as the recorded value of long-term payables, the difference as unrecognized financing charges. During the term of the lease, the actual interest rate method is used for the apportionment, which is recognized as the current financing cost, which is included in the financial cost.

The initial direct costs incurred are included in the value of the leased assets.

In the provision of financial lease assets depreciation, the Company adopts the depreciation policy consistent with its own depreciation assets. The period of depreciation shall be determined by the lease contract. If we can reasonably determine the expiry of lease period the Company will obtain the ownership of the leased asset, the beginning date of the lease term of the lease assets life as the depreciation period; if unable to reasonably determine the lease expires after the Company is able to obtain ownership of the leased asset, to lease and lease asset life both shorter as the depreciation period.

The Company as a finance lease the lessor, from the beginning date of the lease term lease minimum lease amount receivable beginning date and the initial direct costs and as the recorded value of finance lease receivables, included in the balance sheet of the long-term receivables, and record the unguaranteed residual value of the minimum lease payments receivable; and the initial direct costs and the unguaranteed residual value and the sum of their present values as the difference between the unrealized financing income during the lease period, each using the effective interest method is recognised as rental income, other operating income included in the rental income .

3.28 Changes in significant accounting policies and accounting estimates

(a) Changes in accounting polices

The Company has no change in accounting polices for reporting period.

(b) Changes in accounting estimates

The Company has no change in accounting estimates for reporting period.

Note 4. Tax items

(a) The major categories of tax and tax rates applicable to the Company

Tax items	Taxation basis	Tax rate
Value added tax (VAT)	Output VATs are calculated and paid on taxable revenues at a tax rate of 17%, and VATs are paid at the net amounts after deducting input VATs for the reporting period	17%、13%、5%、6%

Tax items	Taxation basis	Tax rate
Business tax	Business revenue	3%、5%
Urban maintenance and construction tax	Turnover tax payable	7%
Educational surcharge	Turnover tax payable	3%
Local Education and supplementary tax	Turnover tax payable	2%
Enterprise income tax	Enterprise income taxes are paid on taxable profits	25%

[note]: On 23 March 2016, the Ministry of Finance and the State Administration of Taxation issued <Circular on pushing the pilot of VAT for business tax reform >(Fiscal [2016] No. 36). Since 1 May 2016, the Company levied VAT from its business tax.

(b) Tax Preference

According to the Ministry of finance and the State Administration of Taxation of <Notice on the handling of enterprise income of special purpose financial funds>(Fiscal [2011] No. 70), the Company received the fiscal subsidies income that compliance with the provisions as non-taxable income, when calculating taxable income, deduct from the total amount of income.

According to the Zhejiang caizong [2016] No. 18, since 1 April 2016 (the payment period), the Company based on the sales income or business income of the local water conservancy construction fund levy 0.7‰; According to the Zhejiang caizong [2016] NO.43, since 1 November 2016, the Company achieved sales revenue or operating income, to suspend the tax authorities to declare and pay the local water conservancy construction funds.

(c) Others needed to be emphasized

There is nothing to be emphasized.

Note 5. The consolidated financial statements

5.1 Monetary Assets

Items	31 Dec 2016	31 Dec 2015
Cash	121,006.96	267,960.10
Bank deposits	1,743,370,968.44	1,533,964,978.19
Other monetary funds		2,719,772.88
Total	**1,743,491,975.40**	**1,536,952,711.17**

Note： details of limited monetary assets are as followings:

Items	31 Dec 2016
Certificates of deposit pledged	840,000.00
Total	**840,000.00**

5.2 Financial assets at fair value through profit or loss

Items	31 Dec 2016	31 Dec 2015
Held-for-trading financial assets:		
Including: Debt instruments		
Equity instruments		
Derivatives		
Others		
Financial assets designated as at fair value through profit or loss:		2,916,000.00
Including: Debt instruments		
Equity instruments		2,916,000.00
Others		
Total		**2,916,000.00**

Notes: Because of the Jiaxing Gas Group Co. Ltd was not included in the consolidation scope anymore, the initial equity instrument has been rolled out, the balance at the end of the course was zero.

5.3 Bills receivables

(1) Disclosure of bills receivables by category

Items	31 Dec 2016	31 Dec 2015
Bank acceptance bills		578,297.10
Commercial acceptance bills		
Total		**578,297.10**

5.4 Accounts receivable

(1) Disclosure of accounts receivable by category

Items	31 Dec 2016				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with individually significant balance and recognised provision for bad debt individually	6,170,524.40	26.29	6,170,524.40	100.00	
Accounts receivable with bad debt provision recognised collectively by similar credit risk characteristics	16,866,602.07	71.86	178,347.89	1.06	16,688,254.18
Combination 1：	13,894,137.23	59.19			13,894,137.23
Combination 2：	2,972,464.84	12.66	178,347.89	6.00	2,794,116.95
Accounts receivable with individually insignificant balance but recognised provision for bad debt individually	434,811.10	1.85	434,811.10	100.00	

Items	31 Dec 2016				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Total	**23,471,937.57**	**100.00**	**6,783,683.39**	**28.90**	**16,688,254.18**

(Continued)

Items	31 Dec 2015				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with individually significant balance and recognized provision for bad debt individually	6,170,524.40	6.37	6,170,524.40	100.00	
Accounts receivable with bad debt provision recognized collectively by similar credit risk characteristics	89,747,784.90	92.58	215,932.22	0.24	89,531,852.68
Combination 1：	86,148,914.57	88.87			86,148,914.57
Combination 2：	3,598,870.33	3.71	215,932.22	6.00	3,382,938.11
Accounts receivable with individually insignificant balance but recognized provision for bad debt individually	1,022,749.54	1.06	1,022,749.54	100.00	
Total	**96,941,058.84**	**93.64**	**7,409,206.16**	**7.64**	**89,531,852.68**

① Accounts receivable with individually significant balance and recognised provision for bad debt individually

Unit name	31 Dec 2016			
	Accounts receivable	Provision for bad debt	Provision ratio (%)	Reason
Jiaxing real estate General Corporation	2,612,757.00	2,612,757.00	100.00%	There is low return capability

Jiaxing best real estate development Co., Ltd.	3,557,767.40	3,557,767.40	100.00%	There is low return capability
Total	**6,170,524.40**	**6,170,524.40**		

②Details of accounts receivable in combination 1:

Unit name	Accounts receivable	Provision for bad debt	Provision ratio (%)	Reason
Tongxiang Gang Hua Natural Gas Company Limited	2,781,454.09			Risk of bad debt is low
Jushi Group Company Limited	2,653,848.00			Risk of bad debt is low
Zhejiang Wanner God nuclear Mechanical Engineering Co. Ltd	2,402,940.00			Risk of bad debt is low
Haiyan Xin'ao Gas Co., Ltd.	1,513,106.15			Risk of bad debt is low
Jiashan county urban and rural Natural Gas company with limited liability	1,323,535.43			Risk of bad debt is low
Pinghu Natural Gas Co., Ltd.	1,173,640.46			Risk of bad debt is low
Jiaxing economic and Technological Development Zone	1,039,325.00			Risk of bad debt is low
Zhejiang Xi Chuang I.T. Ltd.	640,000.00			Risk of bad debt is low
Others	366,288.10			Risk of bad debt is low
Total	**13,894,137.23**			

③Details of accounts receivable in combination 2 that bad debt is extracted by balance percentage method：

Item	31 Dec 2016		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Percentage of receivables method	2,972,464.84	178,347.89	6%
Total	**2,972,464.84**	**178,347.89**	

(Continued)

Item	31 Dec 2015		
	Accounts receivable	Provision for bad debt	Provision

			ratio (%)
Percentage of receivables method	3,598,870.33	215,932.22	6%
Total	**3,598,870.33**	**215,932.22**	

(2) Provision, recovery or reversal of bad debt

The recovery or reversal of the provision for bad debt during the reporting period amounted to CNY625,522.77 yuan.

(3) Accounts receivable written-off during the reporting period

There is no account written-off.

(4) Disclosure of top five closing balances by entity

Unit name	Balance at 31 December 2016	Proportion of the balance to the total accounts receivable (%)	Provision for bad debt
Jiaxing best real estate development Co., Ltd.	3,557,767.40	15.16	3,557,767.40
Tongxiang Gang Hua Natural Gas Company Limited	2,781,454.09	11.85	
Jushi Group Company Limited	2,653,848.00	11.31	
Jiaxing real estate General Corporation	2,612,757.00	11.13	2,612,757.00
Zhejiang Wanner God nuclear Mechanical Engineering Co. Ltd	2,402,940.00	10.24	
Total	**14,008,766.49**	**59.69**	**6,170,524.40**

5.5 Prepayment

(1) Disclosure of prepayment by age

Age	31 Dec 2016		31 Dec 2015	
	Amount	Proportion (%)	Amount	Proportion (%)
Within one year	55,934,284.24	29.88	18,857,982.23	11.92
1 to 2 years	115,830.00	0.07	891,193.13	0.56
2 to 3 years	100,000.00	0.05	2,000,000.00	1.26
Over 3 years	131,040,347.72	70.00	136,572,105.73	86.26
Total	**187,190,461.96**	**100.00**	**158,321,281.09**	**100.00**

(2) Disclosure of top five closing balances by entity

Unit name	Balance at 31 Dec 2016	Proportion of the balance to the total prepayments (%)
Jiaxing Xiuzhou District sewage pipe network project special account	36,250,000.00	19.37
Zhejiang Natural Gas Development Co., Ltd.	18,157,207.71	9.7

Jiaxing Xincheng Town People's Government	16,750,000.00	8.95
Jiaxing Xiuzhou Industrial Park Management Committee	15,000,000.00	8.01
Wang Jiang Jing Town People's Government of Jiaxing	14,500,000.00	7.75
Total	**100,657,207.71**	**53.78**

5.6 Other receivables

(1) Disclosure of other receivables by category

Items	31 Dec 2016				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivable with individually significant balance and recognised provision for bad debt individually	150,964,035.00	7.02	37,741,008.75	25.00	113,223,026.25
Other receivables with bad debt provision recognised collectively by similar credit risk characteristics	1,970,623,828.85	91.69	5,902,680.15	0.30	1,964,721,148.70
Combination 1：	1,872,091,641.31	87.10			1,872,091,641.31
Combination 2：	98,532,187.54	4.58	5,902,680.15	6.00	92,629,507.39

Items	31 Dec 2016				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivable with individually insignificant balance but recognised provision for bad debt individually	27,704,729.87	1.29	10,643,900.32	38.42	17,060,829.55
Total	**2,149,292,593.72**	**100.00**	**54,287,589.22**	**2.53**	**2,095,005,004.50**

(Continued)

Items	31 Dec 2015				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivable with individually significant balance and recognised provision for bad debt individually	144,329,385.00	5.15	36,082,346.25	25.00	108,247,038.75
Other receivables with bad debt provision recognised collectively by similar credit risk characteristics	2,635,488,466.65	94.17	6,759,775.31	0.26	2,628,728,691.34
Combination 1:	2,522,884,930.16	90.14		-	2,522,884,930.16
Combination 2:	112,603,536.49	4.02	6,759,775.31	6.00	105,843,761.18

Items	31 Dec 2015				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivable with individually insignificant balance but recognised provision for bad debt individually	18,919,412.13	0.68	9,267,598.66	48.98	9,651,813.47
Total	**2,798,737,263.78**	**100.00**	**52,109,720.22**	**1.86**	**2,746,627,543.56**

①Other receivable with individually significant balance and recognised provision for bad debt individually

Unit name	31 Dec 2016			
	Other receivables	Provision for bad debt	Provision ratio (%)	Reason
Jiaxing Nanhu New District Administration Committee	60,100,000.00	15,025,000.00	25.00%	Long age and low return capability
Four path projects	41,229,385.00	10,307,346.25	25.00%	Long age and low return capability
The Education Bureau of Jiaxing City	20,000,000.00	5,000,000.00	25.00%	Long age and low return capability
The Sports Bureau of Jiaxing City	10,000,000.00	2,500,000.00	25.00%	Long age and low return capability
Jiaxing Minfeng (Group) Co., Ltd.	8,000,000.00	2,000,000.00	25.00%	Long age and low return capability
Qingfeng East Road, Chaoyang Road South Block of supplementary cultivated land performance bond	6,634,650.00	1,658,662.50	25.00%	Long age and low return capability
Jiaxing Nanhu District Yu Xin Town Village Construction Development Co., Ltd.	5,000,000.00	1,250,000.00	25.00%	Long age and low return capability
Total	**150,964,035.00**	**37,741,008.75**		

②Details of accounts receivable in combination 1：

Unit name	Accounts receivable	Provision for bad debt	Provision ratio (%)	Reason

Unit name	Accounts receivable	Provision for bad debt	Provision ratio (%)	Reason
Jiaxing Culture Mingcheng Investment Group Co., Ltd.	691,174,584.52			Risk of bad debt is low
Zhejiang Jiaxing Xiangjia Lake development and Construction Co., Ltd.	279,032,978.41			Risk of bad debt is low
Jiaxing Xiangjiadang Investment Co., Ltd.	255,817,182.57			Risk of bad debt is low
Jiaxing Industrial Park Infrastructure Construction Development Co., Ltd.	183,998,269.93			Risk of bad debt is low
Jiaxing Xiuzhou District State owned assets supervision and Administration Bureau	130,000,000.00			Risk of bad debt is low
Jiaxing Xiu Yuan Lu Tong Highway Engineering Co., Ltd.	68,039,811.39			Risk of bad debt is low
Jiaxing Industrial Park Construction Development Co., Ltd.	64,184,800.00			Risk of bad debt is low
Jiaxing Xingzhen Construction Co., Ltd.	50,312,500.00			Risk of bad debt is low
Jiaxing Municipal People's Government State-owned Assets Supervision and Administration Commission	50,000,000.00			Risk of bad debt is low
Jiaxing Nanhu City Construction Investment Group Co., Ltd.	41,000,000.00			Risk of bad debt is low
Jiaxing Liansi Lake new rural investment and Construction Co., Ltd.	30,187,500.00			Risk of bad debt is low
Jiaxing Jieqi sewage pipe network Co., Ltd.	20,000,000.00			Risk of bad debt is low
Others	8,344,014.49			Risk of bad debt is low
Total	**1,872,091,641.31**			

③Details of other accounts receivable in combination 2 that bad debt is extracted by balance percentage method:

Item	Balance at 31 Dec 2016		
	Other receivables	Provision for bad debt	Provision ratio (%)
Percentage of receivables method	98,532,187.54	5,902,680.15	6%

Item	Balance at 31 Dec 2016		
Total	**98,532,187.54**	**5,902,680.15**	

(Continued)

Item	Balance at 31 Dec 2015		
	Other receivables	Provision for bad debt	Provision ratio (%)
Percentage of receivables method	112,603,536.49	6,759,775.31	6%
Total	**112,603,536.49**	**6,759,775.31**	

(2) Provision, recovery or reversal of bad debt

The provision for bad debt during the reporting period amounted to CNY2,177,869.00 yuan.

(3) Other receivables written-off during the reporting period

There is no amount written-off.

(4) Disclosure of top five closing balances by entity

Unit name	Nature	Balance at 31 Dec 2016	Age	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Jiaxing Culture Mingcheng Investment Group Co., Ltd.	Current account	691,174,584.52	within one year、2-3 years	32.16	
Zhejiang Jiaxing Xiangjia Lake development and Construction Co., Ltd.	Current account	279,032,978.41	within one year	12.98	
Jiaxing Xiangjiadang Investment Co., Ltd.	Current account	255,817,182.57	within one year	11.9	
Jiaxing Industrial Park Infrastructure Construction Development Co., Ltd.	Current account	183,998,269.93	1-2 years	8.56	

Unit name	Nature	Balance at 31 Dec 2016	Age	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Jiaxing Xiuzhou District State owned assets supervision and Administration Bureau	Current account	130,000,000.00	within one year、1-2 years	6.05	
Total		**1,540,023,015.43**		**71.65**	

5.7 Inventory

(1) Inventory Classification

Item	31 Dec 2016			31 Dec 2015		
	Book value	Provision for stock obsolescence	Carrying amount	Book value	Provision for stock obsolescence	Carrying amount
Raw materials	1,073,913.92		1,073,913.92	1,314,926.52		1,314,926.52
Developed products	1,768,691,803.32		1,768,691,803.32	1,907,873,059.51		1,907,873,059.51
Finished goods	3,529,751.21		3,529,751.21	246,948,107.06		246,948,107.06
Turnover materials				1,037,091.11		1,037,091.11
Development cost	311,557,938.25		311,557,938.25	311,557,938.25		311,557,938.25
Project construction	1,572,709.53		1,572,709.53	14,332,613.93		14,332,613.93
Land assets	2,255,983,902.35		2,255,983,902.35	2,255,983,902.35		2,255,983,902.35
Entrusted	10,681,999,706.64		10,681,999,706.64	10,014,163,348.18		10,014,163,348.18

Item	31 Dec 2016			31 Dec 2015		
	Book value	Provision for stock obsolescence	Carrying amount	Book value	Provision for stock obsolescence	Carrying amount
construction projects						
The south lake scenic spot project	899,545,619.45		899,545,619.45	849,731,581.31		849,731,581.31
Total	**15,923,955,344.67**		**15,923,955,344.67**	**15,602,942,568.22**		**15,602,942,568.22**

(2) Provision for stock obsolescence

There is no devaluation for inventory at the end of accounting period, and there is no provision for that.

5.8 Other current assets

Item	31 Dec 2016	31 Dec 2015
Financial products	660,000,000.00	1,425,000,000.00
Prepaid tax	18,820,484.63	14,221,984.20
Total	**678,820,484.63**	**1,439,221,984.20**

Notes：At the end of the period, the amount of other current assets decreased by 52.83% from the beginning, the main reason was that some financial products have been redeemed at the beginning of this period.

5.9 Available-for-sale financial assets

(1) General information of available-for-sale financial assets

Item	31 Dec 2016	31 Dec 2015

Item	31 Dec 2016			31 Dec 2015		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Available-for-sale debt instruments						
Available-for-sale equity instruments						
Measured at fair value						
Measured at cost	561,833,117.00		561,833,117.00	429,333,117.00		429,333,117.00
Total	**561,833,117.00**		**561,833,117.00**	**429,333,117.00**		**429,333,117.00**

(2) Details of available-for-sale financial assets

Investee	Book value			
	31 Dec 2015	Increase during the reporting period	Decrease during the reporting period	31 Dec 2016
Jiaxing Nanhu District Yinfeng microfinance Ltd.	15,000,000.00		15,000,000.00	
Jiaxing High Grade Highway Investment Co., Ltd.	62,937,517.00			62,937,517.00
Jiaxing, Shanghai Hangzhou high-speed railway Passenger	250,147,500.00			250,147,500.00

Investee	Book value			
	31 Dec 2015	Increase during the reporting period	Decrease during the reporting period	31 Dec 2016
dedicated line investment and Development Co. Ltd.				
Jiaxing Lianhe sewage treatment Co., Ltd.	97,748,100.00			97,748,100.00
Jiaxing Xingang sewage treatment Co., Ltd.	1,500,000.00			1,500,000.00
Jiaxing Jiatong new energy Co., Ltd.	2,000,000.00		2,000,000.00	
Bank of Jiaxing Co., Ltd		149,500,000.00		149,500,000.00
Total	**429,333,117.00**	**149,500,000.00**	**17,000,000.00**	**561,833,117.00**

(Continued)

Investee	Provision for impairment				Shareholdings in investee (%)	Cash bonus for the year ended 31 Dec 2016
	31 Dec 2015	Increase during the reporting period	Decrease during the reporting period	31 Dec 2016		
Jiaxing Nanhu District Yinfeng microfinance Ltd.						
Jiaxing High Grade Highway Investment Co., Ltd.					6.00	
Jiaxing, Shanghai Hangzhou high-speed railway Passenger					13.00	

Investee	Provision for impairment				Shareholdings in investee (%)	Cash bonus for the year ended 31 Dec 2016
	31 Dec 2015	Increase during the reporting period	Decrease during the reporting period	31 Dec 2016		
dedicated line investment and Development Co. Ltd.						
Jiaxing Lianhe sewage treatment Co., Ltd.					12.00	
Jiaxing Xingang sewage treatment Co., Ltd.					10.00	
Jiaxing Jiatong new energy Co., Ltd.						
Bank of Jiaxing Co., Ltd					6.00	8,400,000.00
Total						**8,400,000.00**

Notes: At the end of the period, the sale of financial assets increased by 30.86% over the beginning of the period, the main reason was that increased the new Jiaxing bank, Limited by Share Ltd investment CNY149,500,000.00 yuan in this year, increased 34.82%,Jiaxing Gas Group Co., Ltd. was not included in the scope of consolidation, resulted in the Jiaxing Nanhu District Yinfeng microfinance Ltd. and Jiaxing Jiatong new energy Co., Ltd. of the investment amount reduced CNY17,000,000.00 yuan, proportion was 3.96%.

5.10 Long-term equity investment

Investee	31 Dec 2015	Changes during the reporting period

		Increase during the reporting period	Decrease during the reporting period	Gains /(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
I. Joint ventures						
Jiaxing oil and gas station Co., Ltd.	16,628,476.54					
Yancheng Jiaxiang Real Estate Development Co., Ltd.	18,320,492.62					
Subtotal	34,948,969.16					
II. Associates						
Jiaxing pipeline Liquefied Gas Co., Ltd.	254,366.29					
Pinghu Natural Gas Co., Ltd.	18,977,884.58					
Jiaxing Tourism Collector-Distributor Center Co., Ltd.	479,748.64					
Jiaxing Nanhu Hetai Small loan Co., Ltd.	105,084,802.11					
Zhejiang Materials & Products Huanneng Wutong Clean Energy Co., Ltd.	500,000.00					
Zhejiang Qing Yuan		16,378,750.00		-5,357,788.75		

Investee	31 Dec 2015	Changes during the reporting period				
		Increase during the reporting period	Decrease during the reporting period	Gains /(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
Tourism Development Co., Ltd.						
Jiaxing Gas Group Co. Ltd		68,096,403.05		26,119,785.11		
Subtotal	125,296,801.62	84,475,153.05		20,761,996.36		
Total	**160,245,770.78**	**84,475,153.05**		**20,761,996.36**		

(Continued)

Investee	Changes during the reporting period			31 Dec 2016	Provision for impairment at 31 Dec 2016
	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
I. Joint ventures					
Jiaxing oil and gas station Co., Ltd.			-16,628,476.54		
Yancheng Jiaxiang Real Estate Development Co., Ltd.			-18,320,492.62		
Subtotal			-34,948,969.16		
II. Associates					

Investee	Changes during the reporting period			31 Dec 2016	Provision for impairment at 31 Dec 2016
	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
Jiaxing pipeline Liquefied Gas Co., Ltd.			-254,366.29		
Pinghu Natural Gas Co., Ltd.			-18,977,884.58		
Jiaxing Tourism Collector-Distributor Center Co., Ltd.				479,748.64	
Jiaxing Nanhu Hetai Small loan Co., Ltd.			-105,084,802.11		
Zhejiang Materials & Products Huanneng Wutong Clean Energy Co., Ltd.			-500,000.00		
Zhejiang Qing Yuan Tourism Development Co., Ltd.				11,020,961.25	
Jiaxing Gas Group Co. Ltd	-19,654,500.00			74,561,688.16	
Subtotal	-19,654,500.00		-124,817,052.98	86,062,398.05	
Total	**-19,654,500.00**		**-159,766,022.14**	**86,062,398.05**	

Other instructions: At the ending of the long-term equity investment decreased by 46.29% compared with the beginning, the main reason was that Jiaxing Gas Group Co., Ltd. no longer incorporated into the scope of consolidation during this period (see the notes for Note 6.5 for specific reasons), resulted in a decrease in the amount of investment in joint ventures and associated enterprises.

5.11 Investment properties

(1) Investment properties accounted for using cost model

Item	Building and plants	Total
I. Initial cost		
1.Balance at 31 Dec 2015	642,458,034.12	642,458,034.12
2.Increase during the reporting period		
(1) Acquisition		
(2) Transfer from inventories /fixed assets /construction in progress		
(3) Business combination		
3. Decrease during the reporting period	5,878,555.48	5,878,555.48
(1) Disposal		
(2) Others	5,878,555.48	5,878,555.48
4.Balance at 31 Dec 2016	636,579,478.64	636,579,478.64
II. Accumulated depreciation and amortization:		
1.Balance at 31 Dec 2015	100,386,348.00	100,386,348.00
2. Increase during the reporting period	17,901,958.38	17,901,958.38
(1) Provision	17,901,958.38	17,901,958.38
3. Decrease during the reporting period	2,914,391.49	2,914,391.49
(1) Disposal		
(2) Others	2,914,391.49	2,914,391.49
4.Balance at 31 Dec 2016	115,373,914.89	115,373,914.89
III. Provision for impairment		
1.Balance at 31 Dec 2015		

Item	Building and plants	Total
2. Increase during the reporting period		
(1) Provision		
3. Decrease during the reporting period		
(1) Disposal		
(2) Others		
4.Balance at 31 Dec 2016		
IV. Carrying amount		
1.Balance at 31 Dec 2016	521,205,563.75	521,205,563.75
2.Balance at 31 Dec 2015	542,071,686.12	542,071,686.12

(2) Investment properties without certificate of title

There is no such item.

5.12 Fixed assets

(1) General information of fixed assets

Items	Buildings and constructions	Machinery equipments	Office quipment and other	Vehicles	Special appliance	Total
I. Initial cost:						
1. Balance at 31 Dec 2015	869,303,407.03	54,137,988.20	90,402,059.95	52,631,234.42	1,119,275,525.73	2,185,750,215.33
2. Increase during the reporting period	929,022.54	821,261.92	2,105,158.93	1,037,132.47	382,476,862.19	387,369,438.05
(1) Acquisition	929,022.54	821,261.92	2,105,158.93	1,037,132.47	252,383,107.18	257,275,683.04
(2) Transfer from construction in progress					130,093,755.01	130,093,755.01
(3) Business combination						-
3. Decrease during the reporting period	380,030,069.76	23,019,207.28	72,932,156.82	25,807,398.70	768,934,090.86	1,270,722,923.42
(1) Disposal		20,480.83	1,013,776.98	1,943,948.65	312,910,715.50	315,888,921.96
(2) Others	380,030,069.76	22,998,726.45	71,918,379.84	23,863,450.05	456,023,375.36	954,834,001.46

Items	Buildings and constructions	Machinery equipments	Office quipment and other	Vehicles	Special appliance	Total
4. Balance at 31 Dec 2016	490,202,359.81	31,940,042.84	19,575,062.06	27,860,968.19	732,818,297.06	1,302,396,729.96
II. Accumulated depreciation:						
1. Balance at 31 Dec 2015	139,384,299.90	14,528,302.23	44,494,168.99	33,619,598.96	355,308,681.57	587,335,051.65
2. Increase during the reporting period	16,127,891.67	1,905,402.29	1,159,401.77	3,353,930.30	40,243,667.78	62,790,293.81
(1) Provision	16,127,891.67	1,905,402.29	1,159,401.77	3,353,930.30	40,243,667.78	62,790,293.81
3. Decrease during the reporting period	34,445,687.44	1,378,020.02	29,602,961.88	18,033,309.79	167,223,278.79	250,683,257.92
(1) Disposal		14,591.81	954,157.58	1,831,865.92	3,336,183.97	6,136,799.28
(2) Others	34,445,687.44	1,363,428.21	28,648,804.30	16,201,443.87	163,887,094.82	244,546,458.64
4. Balance at 31 Dec 2016	121,066,504.13	15,055,684.50	16,050,608.88	18,940,219.47	228,329,070.56	399,442,087.54
III. Provision for impairment						
1. Balance at 31 Dec 2015						
2. Increase during the reporting period						
(1) Provision						
3. Decrease during the reporting period						
(1) Disposal						
(2) Others						
4. Balance at 31 Dec 2016						
IV. Carrying amount						
1. Balance at 31 Dec 2016	369,135,855.68	16,884,358.34	3,524,453.18	8,920,748.72	504,489,226.50	902,954,642.42
2. Balance at 31 Dec 2015	729,919,107.13	39,609,685.97	45,907,890.96	19,011,635.46	763,966,844.16	1,598,415,163.68

(2) Idle fixed assets

There is no such item.

(3) Fixed assets acquired under finance leases

There is no such item.

(4) Fixed assets leasing out under operating leases

There is no such item.

(5) Fixed assets without certificate of title

There is no such item.

(6) Other instructions: The net fixed asset value at the end of the period decreased by 43.51% compared with the net value of fixed assets at the beginning of the period, the main reason was that Jiaxing Gas Group Co., Ltd. was not included in the scope of consolidation, at the beginning of this year, the fixed assets of the gas group had been rolled out.

5.13 Construction in progress

(1) General information of construction in progress

Item	31 Dec 2016			31 Dec 2015		
	Cost	Provision for impairment	Carrying amount	Cost	Provision for impairment	Carrying amount
Sewage pipe network and drinking water safety project	50,346,498.28		50,346,498.28	47,925,914.76		47,925,914.76
Gas pipeline and Supporting project				104,768,463.23		104,768,463.23
Gas pipeline project - Jiaxing downtown area pipe network	58,540,104.65		58,540,104.65	153,860,362.15		153,860,362.15

Item	31 Dec 2016			31 Dec 2015		
	Cost	Provision for impairment	Carrying amount	Cost	Provision for impairment	Carrying amount
Qingyuan hot spring project				211,948.50		211,948.50
Other projects	1,087,636.05		1,087,636.05			
Total	**109,974,238.98**		**109,974,238.98**	**306,766,688.64**		**306,766,688.64**

5.14 Intangible assets

(1) General information of intangible assets

Item	Land use rights	Financial software	Total
I. Initial cost:			
1. Balance at 31 Dec 2015	214,784,729.27	418,037.17	215,202,766.44
2. Increase during the reporting period	8,841,908.60		8,841,908.60
(1) Acquisition	8,841,908.60		8,841,908.60
(2) Internal research and development			
(3) Business combination			
3. Decrease during the reporting period	36,184,360.23	81,387.18	36,265,747.41
(1) Disposal			
(2) Others	36,184,360.23	81,387.18	36,265,747.41
4. Balance at 31 Dec 2016	187,442,277.64	336,649.99	187,778,927.63
II. Accumulated amortization:			
1. Balance at 31 Dec 2015	55,362,614.27	376,877.01	55,739,491.28
2. Increase during the reporting period	10,531,160.05	13,689.87	10,544,849.92

Item	Land use rights	Financial software	Total
(1) Provision	10,531,160.05	13,689.87	10,544,849.92
3. Decrease during the reporting period	3,845,245.02	58,886.97	3,904,131.99
(1) Disposal			
(2) Others	3,845,245.02	58,886.97	3,904,131.99
4. Balance at 31 Dec 2016	62,048,529.30	331,679.91	62,380,209.21
III. Provision for impairment			
1. Balance at 31 Dec 2015			
2. Increase during the reporting period			
(1) Provision			
3. Decrease during the reporting period			
(1) Disposal			
(2) Others			
4. Balance at 31 Dec 2016			
IV. Carrying amount			
1. Balance at 31 Dec 2016	125,393,748.34	4,970.08	125,398,718.42
2. Balance at 31 Dec 2015	159,422,115.00	41,160.16	159,463,275.16

(2) Land use rights without certificate of title

There is no such item.

5.15 Goodwill

(1) Initial recognition

Investee or Event giving rises to the Goodwill	31 Dec 2015	Increase during the reporting period		Decrease during the reporting period		31 Dec 2016
		Business combination		Disposal		
Jiaxing Jiacheng Construction Development Co., Ltd.	396,102.80					396,102.80
Total	396,102.80					396,102.80

(2) Provision for impairment

Investee or Event giving rises to the Goodwill	31 Dec 2015	Increase during the reporting period		Decrease during the reporting period		31 Dec 2016
		Provision		Disposal		
Jiaxing Jiacheng Construction Development Co., Ltd.						
Total						

5.16 Long-term deferred expenses

Item	31 Dec 2015	Increase during the reporting period	Amortization during the reporting period	Other decrease during the reporting period	31 Dec 2016
Decoration expences	46,738,534.18	457,523.83	8,609,201.79	2,222,984.48	36,363,871.74
Nanhu LNG station	4,181,479.85		223,012.32		3,958,467.53
Bond issuing expenses	1,609,031.22		387,718.56		1,221,312.66
Others	9,329,656.53	1,387,590.00	2,203,199.24	1,058,008.71	7,456,038.58
Total	**61,858,701.78**	**1,845,113.83**	**11,423,131.91**	**3,280,993.19**	**48,999,690.51**

Other: Other reduced amount was the initial amount of Jiaxing Gas Group Co., Ltd., because this period was not included in the scope of consolidation, therefore transferred to others.

5.17 Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets before offsetting

Category	31 Dec 2015		31 Dec 2016	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment loss	58,544,700.92	14,636,175.23	59,518,926.38	14,879,731.60
Unrealized intragroup profit				
Deductible losses				2,668,578.76
Total	**58,544,700.92**	**14,636,175.23**	**59,518,926.38**	**17,548,310.36**

(2) Deferred tax liabilities before offsetting

Category	31 Dec 2016		31 Dec 2015	
	Deductible temporary differences	Deferred tax liabilities	Deductible temporary differences	Deferred tax liabilities
Assets appreciation resulted from business combination not under common control				
Change in fair value of available-for-sale financial assets			2,016,000.00	504,000.00
Total			**2,016,000.00**	**504,000.00**

(3) Unrecognized deferred tax assets

Category	31 Dec 2016	31 Dec 2015
Deductible temporary differences	2,526,571.69	
Deductible losses		
Total	**2,526,571.69**	

5.18 Short-term borrowings

(1) Disclosure of short-term borrowings by category

Item	31 Dec 2016	31 Dec 2015
Pledge loans		264,600,000.00
Mortgage loans		196,000,000.00
Guarantee loans		61,000,000.00
Credit loans	219,500,000.00	64,500,000.00
Pledge、mortgage、guaranteed loans		31,000,000.00
Total	**219,500,000.00**	**617,100,000.00**

(2) Note: A description of overdue short-term borrowings.

Total amount of overdue short-term borrowings amounted to CNY0 yuan.

(3) Credit loans

Borrowing unit	Amount of loan	Loan bank
Jiaxing City Construction Investment Co., Ltd.	26,000,000.00	CCB
Jiaxing City Construction Investment Co., Ltd.	38,500,000.00	ICBC
Jiaxing City Construction Investment Co., Ltd.	50,000,000.00	Agricultural Bank of China
Jiaxing City Construction Investment Co., Ltd.	100,000,000.00	CITIC Bank
Jiaxing City Investment and Development Group Co., Ltd.	5,000,000.00	CMBC, Jiaxing branch
Total	**219,500,000.00**	

5.19 Bills payables

(1) Disclosure of bills payables by category

Items	31 Dec 2016	31 Dec 2015
Bank acceptance bills	1,680,000.00	70,990,000.00
Commercial acceptance bills		
Total	**1,680,000.00**	**70,990,000.00**

(2) At 31 December 2016, bills payables matured but not yet paid amounted to CNY0 yuan.

5.20 Accounts payable

(1) Accounts payable categorized by age:

Item	31 Dec 2016	31 Dec 2015
Within one year	54,101,644.96	258,002,077.35
1 to 2 years	49,603,588.59	57,716,369.92
2 to 3 years	18,529,322.70	6,705,287.14
Over 3 years	41,607,332.23	70,989,455.88
Total	**163,841,888.48**	**393,413,190.29**

(2) Indications of nature or content of material accounts payable：

Item	31 Dec 2016	Age	Nature of account
Jiaxing Mai Wuwu property marketing planning Co., Ltd.	31,544,613.59	Within one year	Sales commission
Zhongyuan Construction Group Co., Ltd.	18,312,829.02	Within one year、Over 3 years	Project payables
Jiaxing Nanhu Real Estate Development Co., Ltd.	10,195,867.08	1 to 2 years	Real Estate payables
Jiaxing Hengxin Power Construction Co., Ltd.	2,905,923.00	Over 3 years	Project payables

Item	31 Dec 2016	Age	Nature of account
Suzhou Cultural Heritage Ancient Construction Engineering Co., Ltd.	2,767,662.00	Over 3 years	Project payables
Total	**65,726,894.69**		

5.21 Receipt in advance

(1) Categorized by age:

Item	31 Dec 2016	31 Dec 2015
Within one year	278,493,853.17	114,889,840.39
1 to 2 years	27,053,718.07	51,835,842.67
2 to 3 years	18,121,992.61	14,156,410.79
Over 3 years	13,840,679.00	6,653,858.86
Total	**337,510,242.85**	**187,535,952.71**

5.22 Employee benefits payable

(1) Detail of Payroll payable:

Item	31 Dec 2015	Increase during the reporting period	Decrease during the reporting period	31 Dec 2016
I. Short-term employee benefits	20,207,090.37	118,077,084.80	115,493,825.71	22,790,349.46
II. Post-employment benefits-defined contribution plans	311,528.34	6,497,689.91	6,809,218.25	
III. Termination benefits				
IV. Other benefits due within one year				
Total	**20,518,618.71**	**124,574,774.71**	**122,303,043.96**	**22,790,349.46**

(2) Detail of Short-term remuneration

Item	31 Dec 2015	Increase during thereporting period	Decrease during the reporting period	31 Dec 2016
I. Salaries, bonuses, allowances and subsidies	19,451,711.98	101,512,368.49	98,759,732.60	22,204,347.87
II. Employee benefits	429,601.63	4,625,119.72	4,625,119.72	429,601.63
III. Social insurance	64,969.88	5,377,054.48	5,442,024.36	
Including: Health insurance		4,743,849.59	4,743,849.59	
Injury insurance	53,387.04	398,028.71	451,415.75	
Birth insurance	11,582.84	235,176.18	246,759.02	
IV. Housing accumulation fund		5,336,922.00	5,335,846.00	1,076.00
V. Labour union funds and employee education funds	260,806.88	1,225,620.11	1,331,103.03	155,323.96
VI. Short-term absence pay				
VII. Short-term profit sharing plan				
Total	**20,207,090.37**	**118,077,084.80**	**115,493,825.71**	**22,790,349.46**

(3) Defined of Defined contribution plans

Item	31 Dec 2015	Increase during the reporting period	Decrease during the reporting period	31 Dec 2016
1. Basic endowment insurance	281,380.44	5,940,078.01	6,221,458.45	
2. Unemployment insurance	30,147.90	557,611.90	587,759.80	
3. Enterprise annuity				
Total	**311,528.34**	**6,497,689.91**	**6,809,218.25**	

5.23 Taxes payable

Items	31 Dec 2016	31 Dec 2015
Value added tax (VAT)	5,873,873.90	162,504.30
Business tax	104,028.73	-5,557,474.23
Enterprise income tax	692,211.31	18,303,381.01
Individual income tax	-25,882.45	253,114.25
Urban maintenance and construction tax	87,212.11	-294,021.10
Real estate tax	2,260,760.02	2,264,469.59
Stamp duty	3,761.05	223,624.25
Land usage tax	147,922.20	388,070.18
Land value-added tax		1,890,409.11
Others	316.89	316.89
Education and supplementary tax	340,229.94	132,834.97
Water project construction fund	2,264.68	164,711.03
Total	**9,486,698.38**	**17,931,940.25**

5.24 Interest payable

Item	31 Dec 2016	31 Dec 2015
Interest on long-term borrowings within stall ment interest payments and the repayment of the principal at maturity	4,427,967.03	13,531,722.98
Interest on short-term borrowings	6,645.84	254,393.64
Bond interest payable	40,932,100.00	48,877,400.00
Commercial Paper interest	6,889,315.07	3,527,671.23
Medium-term bills interest	21,369,620.55	5,495,100.00
Interest of non-public directional financing instrument	8,393,424.66	8,393,424.66
Local government debt replacement interest		20,494,600.00

Total	**82,019,073.14**	**100,574,312.51**

5.25 Other payables

(1) Disclosure of other payables by age:

Item	31 Dec 2016	31 Dec 2015
Within one year	1,476,540,177.29	1,386,964,382.78
1 to 2 years	728,737,144.34	441,054,951.40
2 to 3 years	305,180,265.56	513,113,517.74
Over 3 years	205,375,772.46	6,999,298.39
Total	**2,715,833,359.65**	**2,348,132,150.31**

(2) Indications of nature and content of material other accounts payable

Unit name	31 Dec 2016	Age	Nature of account
Land Reserve Center	666,329,000.00	Within one year、1 to 2 years、Over 3 years	Current account
Jiaxing Industrial Park Management Committee Finance Office	186,249,289.20	Within one year、1 to 2 years、2 to 3 years、Over 3 years	Current account
Jiaxing Shiye Asset Investment Group Co., Ltd.	523,900,069.17	Within one year	Current account
Jiaxing Industrial Park Construction Development Co., Ltd.	113,100,000.00	1 to 2 years	Current account
Jiaxing Xiuzhou District Finance Bureau	100,000,000.00	Within one year	Current account
Total	**1,589,578,358.37**		

5.26 Non-current liabilities due within one year

Item	31 Dec 2016	31 Dec 2015
Long-term borrowings due within one year	780,300,000.00	1,713,700,000.00
Bonds payable due within one year	940,000,000.00	160,000,000.00
Long-term payables due within one year		

Total	**1,720,300,000.00**	**1,873,700,000.00**

5.27 Other current liabilities

Item	31 Dec 2016	31 Dec 2015
Short-term bonds payable	300,000,000.00	500,000,000.00
Total	**300,000,000.00**	**500,000,000.00**

Change in short-term bonds payable:

Bonds	Par value	Issue date	Bond duration	Issue size	31 Dec 2015
Short-term financing paper（15 Jiaxing Cheng Tou CP001）	100.00	2015-10-19	74 days	500,000,000.00	500,000,000.00
Short-term financing paper（16 Jiaxing Cheng Tou CP001）	100.00	2016-4-20	270 days	300,000,000.00	
Total				**800,000,000.00**	**500,000,000.00**

(Continued)

Bonds	Issue during the reporting period	Accrued interest based on par value	Amortization of premium /discount	Repayment during the reporting period	31 Dec 2016
Short-term financing paper（15 Jiaxing Cheng Tou CP001）				500,000,000.00	
Short-term financing paper（16 Jiaxing Cheng Tou CP001）	300,000,000.00				300,000,000.00

Total	**300,000,000.00**			**500,000,000.00**	**300,000,000.00**

5.28 Long-term borrowings

(1) Disclosure of long-term borrowings by category

Item	31 Dec 2016	31 Dec 2015
Credit loans	8,709,090.92	10,890,909.10
Guarantee loans	1,196,160,000.00	2,449,260,000.00
Mortgage loans	337,500,000.00	540,583,700.00
Pledge loans	386,000,000.00	496,000,000.00
Mortgage and guarantee loans	539,500,000.00	1,338,000,000.00
Pledge and guarantee loans		530,000,000.00
Pledge、mortgage、guaranteed loans	52,500,000.00	105,000,000.00
Local government debt replacement	150,909,900.00	2,008,574,392.00
Total	**2,671,278,990.92**	**7,478,309,001.10**

(2) Credit loans

Borrowing unit	Creditor	Amount	Including: long-term loan within one year
Jiaxing Nanhu Scenic Spot Development Co., Ltd.	Jiaxing Bureau of Finance	10,909,090.92	2,200,000.00
Subtotal		**10,909,090.92**	**2,200,000.00**

(3) Guarantee loans

Borrowing unit	Loan bank	Amount	Gurantee units/individual	Including: long-term loan within one year
Jiaxing Natural Gas Pipe and Mesh Construction Management Co., Ltd.	CCB, Jiaxing branch	195,960,000.00	Jiaxing Traffic Investment Group Co., Ltd.	70,600,000.00
Jiaxing Natural Gas	Bank of	188,000,000.00	Jiaxing Traffic	30,000,000.00

Borrowing unit	Loan bank	Amount	Gurantee units/individual	Including: long-term loan within one year
Pipe and Mesh Construction Management Co., Ltd.	Communications, Jiaxing branch		Investment Group Co., Ltd.、 Jiaxing City Construction Investment Co., Ltd	
Jiaxing Natural Gas Pipe and Mesh Construction Management Co., Ltd.	Bank of Huzhou，Jiaxing branch	50,000,000.00	Jiaxing City Investment and Development Group Co., Ltd.	50,000,000.00
Jiaxing Xiuyuan water Investment Group Co., Ltd.	Agricultural Bank of China Jiaxing Xiuzhou branch	114,300,000.00	Jiaxing Xiuzhou District Jiahong State-owned Assets Investment Co., Ltd.	
Jiaxing Xiuyuan water Investment Group Co., Ltd.	Zhejiang Hecheng Rural Commercial Bank Co., Ltd.	20,000,000.00	Jiaxing Xiu He agriculture investment group Co., Ltd. and Jiaxing Xiuzhou District sewage treatment Co., Ltd.	
Jiaxing Xiuyuan water Investment Group Co., Ltd.	Bank of Jiaxing	100,000,000.00	Jiaxing Xiuzhou Industrial Area Xinye Development & Construction Investment Co., Ltd.	
Jiaxing City Construction Investment Co., Ltd.	CCB	100,000,000.00	Jiaxing High Grade Highway Investment Co., Ltd.	

Borrowing unit	Loan bank	Amount	Gurantee units/individual	Including: long-term loan within one year
Jiaxing City Construction Investment Co., Ltd.	CCB	312,500,000.00	Jiaxing High Grade Highway Investment Co., Ltd.	
Jiaxing silver land new rural development Investment Co., Ltd.	Bank of Hangzhou，Jiaxing branch	300,000,000.00	Jiaxing Nanhu New Town Development and Construction Group Co., Ltd.	175,000,000.00
Jiaxing City Investment and Development Group Co., Ltd.	Industrial Bank Co., Ltd.	41,000,000.00	Jiaxing High Grade Highway Investment Co., Ltd.	
Jiaxing City Investment and Development Group Co., Ltd.	Bank of Communications、Shanghai Pudong Development Bank	100,000,000.00	Jiaxing Culture Mingcheng Investment Group Co., Ltd.	
Subtotal		**1,521,760,000.00**		**325,600,000.00**

(4) Mortgage loans

Borrowing unit	Mortgage unit	Loan bank	Mortgage subject	Amount	Including: long-term loan within one year
Jiaxing City Construction Investment Co., Ltd.	Jiaxing City Construction Investment Co., Ltd、Jiaxing Yintai Meiwan Xintiandi Investment Management Co., Ltd.	CCB	Usage right of buildings	337,500,000.00	
Subtotal				**337,500,000.00**	

(5) Pledge loans

Borrowing unit	Pledge unit	Loan bank	Amount	Pledge subject	Including: long-term loan within one year

Borrowing unit	Pledge unit	Loan bank	Amount	Pledge subject	Including: long-term loan within one year
Jiaxing Nanhu Scenic Spot Development Co., Ltd.	Jiaxing Nanhu Scenic Spot Development Co., Ltd.	CDB	85,000,000.00	Special fund of red tourism	
Jiaxing Nanhu Scenic Spot Development Co., Ltd.	Jiaxing Nanhu Scenic Spot Development Co., Ltd.	CDB	20,000,000.00	Special fund of red tourism	20,000,000.00
Jiaxing Natural Gas Pipe and Mesh Construction Management Co., Ltd.	Jiaxing Natural Gas Pipe and Mesh Construction Management Co., Ltd.	ICBC, Jiaxing branch	351,000,000.00	Natural gas charging right	50,000,000.00
Subtotal			**456,000,000.00**		**70,000,000.00**

(6) Mortgage and guarantee loans

Borrowing unit	Mortgage unit	Loan bank	Amount	Mortgage subject	Gurantee units/individual	Including: long-term loan within one year
Jiaxing silver land new rural development Investment Co., Ltd.	Jiaxing Industrial Park Construction Development Co., Ltd.	Agricultural Bank of China, Jiaxing branch	139,500,000.00	Usage right of buildings and land	Jiaxing Nanhu District Xinghe Water Conservancy Construction Investment Co., Ltd.	

Borrowing unit	Mortgage unit	Loan bank	Amount	Mortgage subject	Gurantee units/individual	Including: long-term loan within one year
Jiaxing City Construction Investment Co., Ltd.	Jiaxing Yintai Meiwan Xintiandi Investment Management Co., Ltd.	CMBC , Jiaxing branch	380,000,000.00	Usage right of buildings	Jiaxing City Investment and Development Group Co., Ltd.	280,000,000.00
Jiaxing City Construction Investment Co., Ltd.	Jiaxing Yintai Meiwan Xintiandi Investment Management Co., Ltd.	CITIC Bank	300,000,000.00	Usage right of buildings	Jiaxing High Grade Highway Investment Co., Ltd. and Jiaxing City Investment and Development Group Co., Ltd.	
Jiaxing City Construction Investment Co., Ltd.	Jiaxing Yintai Meiwan Xintiandi Investment Management Co., Ltd.	CITIC Bank	50,000,000.00	Usage right of buildings	Jiaxing High Grade Highway Investment Co., Ltd. and Jiaxing City Investment and Development Group Co., Ltd.	50,000,000.00
Subtotal			**869,500,000.00**			**330,000,000.00**

(7) Pledge、mortgage、guaranteed loans

Borrowing unit	Mortgage unit	Pledge unit	Gurantee units/individual	Loan bank	Amount	Including: long-term loan within one year	Mortgage unit	Pledge unit
Jiaxing City Construction Investment Co., Ltd.	Jiaxing Yintai Meiwan Xintiandi Investment Management Co., Ltd.	Jiaxing City Construction Investment Co., Ltd.	Jiaxing City Investment and Development Group Co., Ltd.	Guangdong Development Bank	105,000,000.00	52,500,000.00	Usage right of buildings and land	61% stake of Jiaxing Yintai Meiwan Xintiandi Investment Management Co., Ltd.
Subtotal					**105,000,000.00**	**52,500,000.00**		

(8) Local government debt replacement

Borrowing unit	Creditor	Amount	Including: long-term loan within one year
Jiaxing Xiuyuan water Investment Group Co., Ltd.	Jiaxing Bureau of Finance	150,909,900.00	
Subtotal		**150,909,900.00**	

5.29 Bonds payable

(1) General information of bonds payable

Category	31 Dec 2016	31 Dec 2015
12 Jia Cheng Tou MTN1		470,000,000.00
14 Jiaxing Cheng Tou PPN001		300,000,000.00
16 Jia Cheng Tou MTN1	600,000,000.00	
ABS-He Gas 02		170,000,000.00
ABS-He Gas 03	180,000,000.00	180,000,000.00
ABS-He Gas 04	190,000,000.00	190,000,000.00
ABS-He Gas 05	200,000,000.00	200,000,000.00
Total	**1,170,000,000.00**	**1,510,000,000.00**

(2) Changes in bonds payable (except for other financial instruments classified as financial liabilities such as preference shares and perpetual capital securities)

Bonds	Par value	Issue date	Bonds duration	Issue size	31 Dec 2015
12 Jia Cheng Tou MTN1	100.00	Oct. of 2012	5 years	470,000,000.00	470,000,000.00
14 Jiaxing Cheng Tou PPN001	100.00	Aug. of 2014	3 years	300,000,000.00	300,000,000.00
16 Jia Cheng Tou MTN1	100.00	Apr. of 2016	5 years	600,000,000.00	
ABS-He Gas 02	100.00	Mar. of 2015	2 years	170,000,000.00	170,000,000.00

Bonds	Par value	Issue date	Bonds duration	Issue size	31 Dec 2015
ABS-He Gas 03	100.00	Mar. of 2015	3 years	180,000,000.00	180,000,000.00
ABS-He Gas 04	100.00	Mar. of 2015	4 years	190,000,000.00	190,000,000.00
ABS-He Gas 05	100.00	Mar. of 2015	5 years	200,000,000.00	200,000,000.00
Total				**2,110,000,000.00**	**1,510,000,000.00**

(Continued)

Bonds	Issue during the reporting period	Accrued interest based on par value	Amortization of premium /discount	Repayment during the reporting period	31 Dec 2016	Including: Bonds payable within one year
12 Jia Cheng Tou MTN1					470,000,000.00	470,000,000.00
14 Jiaxing Cheng Tou PPN001					300,000,000.00	300,000,000.00
16 Jia Cheng Tou MTN1	600,000,000.00				600,000,000.00	
ABS-He Gas 02					170,000,000.00	170,000,000.00
ABS-He Gas 03					180,000,000.00	
ABS-He Gas 04					190,000,000.00	
ABS-He Gas 05					200,000,000.00	
Total	**600,000,000.00**				**2,110,000,000.00**	**940,000,000.00**

5.30 Long-term payables

Disclosure of long-term payables by nature:

Item	31 Dec 2016	31 Dec 2015
Housing maintenance fund		133,694.93
Finance lease payable	62,860,000.00	140,081,166.00
Sewage treatment capital - Second issue	31,455,000.00	31,455,000.00
Total	**94,315,000.00**	**171,669,860.93**

5.31 Specific payables

Item	31 Dec 2015	Increase during the reporting period	Decrease during the reporting period	31 Dec 2016
Fiscal appropriation（infrastructure construction fund）	936,844,071.86	45,766,302.19	26,798,392.91	955,811,981.14
Total	**936,844,071.86**	**45,766,302.19**	**26,798,392.91**	**955,811,981.14**

5.32 Paid-in Capital

Investment entity	31 Dec 2015		Increase during the reporting period	Decrease during the reporting period	31 Dec 2016	
	Amount	Proportion of ownership interest			Amount	Proportion of ownership interest
Jiaxing Culture Mingcheng Investment Group Co., Ltd.	2,250,000,000.00	100.00%			2,250,000,000.00	100.00%
Total	**2,250,000,000.00**	**100.00%**			**2,250,000,000.00**	**100.00%**

5.33 Capital reserve

Item	31 Dec 2015	Increase during the reporting period	Decrease during the reporting period	31 Dec 2016
Capital premium (share premium)				
Other capital reserves	3,960,087,958.39	4,294,960,171.64	9,003,167.08	8,246,044,962.95
Total	**3,960,087,958.39**	**4,294,960,171.64**	**9,003,167.08**	**8,246,044,962.95**

Note: Changes and relevant reasons for capital reserve：

(1) According to the Jiaxing Xiuzhou District State owned assets supervision and Administration Bureau [2015] No.27 documents, approval on the subsidiary company, Jiaxing city construction investment limited, adjusted the local government bonds from the liability side to the owner's equity side, increased capital reserve by CNY3,872,886,700.00 yuan.

(2) According to the Jia Nan Fiscal [2016] No.350 documents, approval on the subsidiary company, Jiaxing silver land new rural development Investment Co., Ltd., adjusted the local government bonds from the liability side to the owner's equity side, increased capital reserve by CNY193,000,000.00 yuan.

(3) Agreed to transfer the Jiaxing Cultural City Investment Group Co., Ltd. held 6% of the Bank of Jiaxing shares to the Company, increased capital reserve by CNY149,500,000.00 yuan.

(4) Jiaxing City Construction Investment Co., Ltd. received the financial allocation of funds for the Hexing road, Shantytowns reform funds etc., increased capital reserve by CNY75,937,271.64 yuan.

(5) The Company paid back the state-owned capital gains, and increased capital reserve by CNY3,636,200.00 yuan.

(6) Jiaxing Gas Group Co. Ltd. was not included in the scope of the consolidation this period, resulted to decrease capital reserve by CNY9,000,000.00 yuan.

(7) Transferred some of the vehicles to Jiaxing Xiangjiadang Development Investment Group Co., Ltd. in this period, reduced capital reserve by 3,167.08 yuan.

5.34 Surplus reserve

Item	31 Dec 2015	Increase during the reporting period	Decrease during the reporting period	31 Dec 2016
Statutory surplus reserves	2,138,759.39	1,633,881.47		3,772,640.86
Total	**2,138,759.39**	**1,633,881.47**		**3,772,640.86**

5.35 Retained earnings

Item	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Balance at the end of last period before adjustments	1,579,064,591.32	1,395,882,974.07
Adjustments for the opening balance (increase /decrease)	-719,312.45	
Balance at the beginning of the reporting period after adjustments	1,578,345,278.87	1,395,882,974.07
Add: Net profit attributable to owners of the parent company for the reporting period	194,935,209.95	182,462,304.80
Less: Appropriation to statutory surplus reserve	1,633,881.47	
Appropriation to discretionary surplus reserve		
Provision for general risk reserve		
Payment of ordinary share dividend		
Ordinary shares dividends converted into share capital		
Balance at the end of the reporting period	**1,771,646,607.35**	**1,578,345,278.87**

Adjustments for the opening balance:

(1) For correction of significant prior period errors, the financial effects amounted to CNY-719,312.45 yuan.

5.36 Revenue and cost of sales

(1) Revenue and cost of sales:

Item	Year ended 31 Dec 2016		Year ended 31 Dec 2015	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal activities	1,818,126,707.34	1,468,358,767.53	1,944,114,656.82	1,550,537,494.75
Other activities	21,989,747.37	3,381,720.29	76,163,608.12	44,867,709.37
Total	**1,840,116,454.71**	**1,471,740,487.82**	**2,020,278,264.94**	**1,595,405,204.12**

(2) Presentation of revenue and cost of sales by categories:

Category	Year ended 31 Dec 2016		Year ended 31 Dec 2015	
	Revenue	Cost of sales	Revenue	Cost of sales
Engineering settlement	31,838,435.17	28,944,495.90	15,421,550.70	15,931,288.18
Sales of commercial property	522,648,605.14	355,344,406.60	315,701,535.81	241,302,270.70
Natural gas, gas and assort sales	998,411,562.16	974,712,813.00	1,384,328,826.21	1,211,950,484.45
Tours, guest rooms, catering, rental, security services	213,092,968.75	75,656,683.10	227,178,359.78	83,145,676.82
Sale of goods			9,337,428.45	8,520,062.25
Transportation			11,474,139.26	8163749.92
Others	74,124,883.49	37,082,089.22	56,836,424.73	26,391,671.80
Total	**1,840,116,454.71**	**1,471,740,487.82**	**2,020,278,264.94**	**1,595,405,204.12**

5.37 Taxes and surcharges

Item	Year ended 31 Dec 2016	Year ended 31 Dec 2015
property tax	11,531,698.61	6,490,727.59
Land value-added tax	10,280,106.55	6,284,944.75

Item	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Business tax	5,057,240.47	28,425,099.12
Urban maintenance and construction tax	3,160,622.51	3,536,379.62
Educational surcharge	2,264,631.75	5,134,806.39
water construction funds	1,098,310.68	
Stamp duty	727,704.26	377,487.83
Land use tax	248,508.20	
Others	368,414.24	712,679.84
Total	**34,737,237.27**	**50,962,125.14**

Other instructions: Since 1 May 2016, property tax, land use tax, vehicle and vessel tax, stamp duty and so on reclassified and accounted from general and administrative expenses to taxes and additional, do not retroactively adjust the amount of the previous period.

5.38 Finance costs

Item	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Interest expenses	209,967,270.87	147,716,938.22
Less: Interest income	5,387,914.40	11,420,545.72
Net interest expenses	204,579,356.47	136,296,392.50
Foreign exchange losses		
Less: Foreign exchange gains		
Net foreign exchange losses		
Bank charges	738,330.82	2,138,389.61
Total	**205,317,687.29**	**138,434,782.11**

5.39 Impairment losses

Item	Year ended 31 Dec 2016	Year ended 31 Dec 2015
I. Bad debt of receivables	3,472,363.44	-1,651,412.89

Item	Year ended 31 Dec 2016	Year ended 31 Dec 2015
II. Stock obsolescence		
III. Impairment of available-for-sale financial assets		
IV. Impairment of held-to-maturity investments		
V. Impairment of long-term equity investments		
VI. Impairment of investment properties		
VII. Impairment of fixed assets		
VIII. Impairment of construction materials		
IX. Impairment of construction in progress		
X. Impairment of productive biological assets		
XI. Impairment of oil and gas assets		
XII. Impairment of intangible assets		
XIII. Impairment of goodwill		
XIV. Others		
Total	**3,472,363.44**	**-1,651,412.89**

5.40 Gain arising from fair value changes

Item	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Financial assets at fair value through profit or loss		967,500.00
Including: Change in fair value of derivatives		
Financial liabilities at fair value through profit or loss		
Investment properties measured at fair value		
Total		**967,500.00**

5.41 Income from investment

Item	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Investment income from long-term equity investments under equity method	20,761,996.36	20,039,799.04
Gains on disposal of long-term equity investments		
Investment income from financial assets at fair value through profit or loss during holding period		
Gains on disposal of financial assets at fair value through profit or loss		
Investment income from held-to-maturity investments during holding period		
Investment income from available-for-sale financial assets during holding period	8,400,000.00	1,200,000.00
Gains on disposal of available-for-sale financial assets		
Gains on the remeasurement of the remaining interest at fair value at the date of loss of control		
Others	542,646.29	87,315.07
Total	**29,704,642.65**	**21,327,114.11**

5.42 Non-operating income

(1) Details of non-operating income are as follows:

Item	Year ended 31 Dec 2016	Year ended 31 Dec 2015	Recognized in extraordinary gains and losses
Gains on disposal of non-current	45,975.47	119,999.23	45,975.47

Item	Year ended 31 Dec 2016	Year ended 31 Dec 2015	Recognized in extraordinary gains and losses
assets			
Including: Gains on disposal of fixed assets	45,975.47	119,999.23	45,975.47
Gains on disposal of intangible assets			
Gains on debt restructuring			
Gains on exchange of non-monetary assets			
Receiving donations			
Government grants	254,702,701.18	257,377,084.53	254,702,701.18
Others	5,264,355.27	1,775,249.76	5,263,855.27
Total	**260,013,031.92**	**259,272,333.52**	**260,013,031.92**

Notes：

(1) According to the document of Jiaxing Finance Bureau，the Company's subsidiary,Jiaxing City Construction Investment Co., Ltd. received financial appropriation CNY250,000,000.00 yuan, include in current subsidy income.

(2) According to the Jiaxing Finance Bureau (JFB[2016] No. 273) document，the Company's subsidiary，Jiaxing City River Inn Co. Ltd. received 2016 annual of the large team funds subsidies and Green hotel funds subsidies CNY160,000.00 yuan.

(3) According to the Jiaxing Finance Bureau (JFB[2016] No. 635) document，the Company's subsidiary，Jiaxing City River Inn Co. Ltd. received 2016 Annual of Jiaxing’s City Level Service Industry Development Funds CNY30,000.00 yuan.

(4) According to the Jiaxing Xiuzhou District Finance Bureau (XZCZJ [2016] No. 378) document, the Company's subsidiary, Jiaxing Xiuyuan water Investment Group Co., Ltd. received 2015 Annual of The City's Drinking Water Source Ecological

Compensation Funds CNY1,000,000.00 yuan.

(5) According to the Jiaxing Xiuzhou District Finance Bureau (XZCZJ[2016] No. 558) document，the Company's grandson company, Jiaxing Xiu Yuan dredging Co., Ltd. received the Provincial of Junction Waters of Water Hyacinth Intercepting and Salvaging Funds subsidies CNY100,000.00 yuan.

(6) According to the Xiuzhou municipal government issued [2016] No,4 document, the Company's grandson company, Jiaxing Xiu Yuan dredging Co., Ltd. received the Channel discipline of subsidies above provincial level CNY305,950.00 yuan.

(7) According to the Jiaxing Xiuzhou District Finance Bureau (XZCZJ [2016] No. 378) document, the Company's grandson company, Jiaxing Xiu Yuan dredging Co., Ltd. received the Ecological of Drinking Water Sources Compensation funds CNY1,200,000.00 yuan.

(8) The Company's grandson company, Jiaxing Xiu Yuan dredging Co., Ltd. received 2015 annual of the income tax refund CNY210,389.18 yuan.

(9) The Company's subsidiary, Jiaxing Jiacheng Huanyi Property Management Co. Ltd. received the property management subsidies CNY814,362.00 yuan.

(10) According to the Jiaxing Finance Bureau (JFB [2016] No. 92) document，the Company's subsidiary, Jiaxing Nanhu Scenic Spot Development Co., Ltd. received 2015 annual of the tourism subsidy and special funds for discount CNY300,000.00 yuan in Zhejiang.

(11) According to the Jiaxing Finance Bureau (JFB [2016] No. 273) document，the Jiaxing Tourism Development Co., Ltd. received 2016 annual of the Service Industry Development Grant CNY380,000.00 yuan.

(12) According to the Jia Nan Xuan [2016] No. 33) document，the Company's subsidiary, Jiaxing Tourism Development Co., Ltd. received 2016 annual of the special funds for the development of cultural industries CNY60,000.00 yuan in Zhejiang.

(13) According to the Jiaxing Finance Bureau (JFB [2016] No. 635) document，the Company's subsidiary，Jiaxing Tourism Development Co., Ltd. received 2016 annual of

the second batch of Service industry development funds and subsidy Awards CNY2,000.00 yuan of Municipal in Jiaxing.

(14) The Company's subsidiary, Jiaxing Tourism Development Co., Ltd. received 2016 annual of the Dragon Boat Festival Dumplings's Nostalgia of Chinese flavor series of activity funds CNY100,000.00 yuan.

(15) According to the Jiaxing Finance Bureau (JFB [2016] No. 273) document，the Company's grandson company, Jiaxing Shalong International Hotel Co., Ltd. received 2016 annual of the first batch of Service industry development funds CNY30,000.00 yuan of Municipal in Jiaxing.

(16) According to the Jiaxing Finance Bureau (JFB [2016] No. 635) document，the Company's grandson company, Jiaxing Shalong International Hotel Co., Ltd. received 2016 annual of the second batch of Service industry development funds CNY10,000.00 yuan of Municipal in Jiaxing.

5.43 Non-operating expenses

Item	Year ended 31 Dec 2016	Year ended 31 Dec 2015	Recognized in extraordinary gains and losses
Losses on disposal of non-current assets	42,123.45	670,196.62	42,123.45
Including: Losses on disposal of fixed assets	42,123.45	670,196.62	42,123.45
Losses on disposal of intangible assets			
Losses on debt restructuring			
Losses on exchange of non-monetary assets			
Donations provided		375.00	
Fund for water conservancy construction	393,330.41	1,625,880.86	393,330.41
Amercement expenditure	57,977.22	390,888.91	57,977.22
Others	65,355.16	215,944.06	65,355.16

Total	**558,786.24**	**2,903,285.45**	**558,786.24**

5.44 Income tax expense

Item	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Current tax expense	2,600,667.49	34,841,265.26
Deferred tax expense	-874,436.00	660,124.03
Total	**1,726,231.49**	**35,501,389.29**

5.45 Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

Supplementary information	Amount incurred in the current period	Amount incurred in the previous period
1. Adjustments of net profit to cash flows from operating activities:		
Net profit	190,998,147.38	203,673,856.37
Add: Provisions for impairment of assets	3,472,363.44	-1,651,412.89
Depreciation of fixed assets, oil and gas asset and productive biological assets	80,692,252.19	115,434,170.20
Amortization of intangible assets	10,544,849.92	8,460,358.23
Amortization of long-term deferred expenses	11,423,131.91	13,829,018.25
Losses /(gains) on disposal of fixed assets, intangible assets and other long-term assets	-6,208.67	527,747.63
Losses /(gains) on scrapping of fixed assets	2,356.65	22,449.76
Losses /(gains) on changes in fair value		-967,500.00
Finance costs /(income) recognised in profit or loss	209,967,270.87	147,716,938.22
Investment losses /(income) recognised in profit or loss	-29,704,642.65	-21,327,114.11
Decreases /(increases) in deferred tax assets	-833,713.94	418,249.03
Increases /(decreases) in deferred tax liabilities		241,875.00

Supplementary information	Amount incurred in the current period	Amount incurred in the previous period
Decreases /(increases) in inventories	-422,951,200.91	-1,260,951,278.86
Decreases /(increases) in operating receivables	2,182,661,190.22	-10,172,524.89
Increases /(decreases) in operating payables	-805,244,196.99	1,172,669,040.46
Others		
Net cash flows from operating activities	1,431,021,599.42	367,923,872.40
2. Significant investing and financing activities not involving cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance leases		
3. Net increases in cash and cash equivalents:		
Cash at the end of the reporting period	1,742,651,975.40	1,354,287,711.17
Less: Cash at the beginning of the reporting period	1,354,287,711.17	2,768,692,651.37
Add: Cash equivalents at the end of the reporting period		
Less: Cash equivalents at the reporting beginning of the		
Net increase in cash and cash equivalents	388,364,264.23	-1,414,404,940.20

(2) Net cash payments for acquisition of subsidiaries

There is no such item.

(3) Net cash receipts from disposals of subsidiaries

There is no such item.

(4) The components of cash and cash equivalents

Item	31 Dec 2016	31 Dec 2015
I. Cash	1,742,651,975.40	1,354,287,711.17

Item	31 Dec 2016	31 Dec 2015
Including: Cash on hand	121,006.96	267,960.10
Cash in bank available forimmediate use	1,742,530,968.44	1,351,299,978.19
Other monetary funds available forimmediate use		2,719,772.88
Due from central banks available for immediate use		
Due from other banks		
Interbank lending		
II. Cash equivalents		
Including: Bond investments maturing within three months		
III.Cash and cash equivalents at the end of the reporting period	1,742,651,975.40	1,354,287,711.17

5.46 Restricted assets

Item	31 Dec 2016	Reason
Cash and cash equivalents	840,000.00	Pledge
Fixed assets	9,630,486.99	Mortgage
Investment properties	521,205,563.75	Mortgage
Total	531,676,050.74	Mortgage

5.47 Others

There is no such item.

Note 6. Changes in the scope of consolidation

6.1 Business combination not under common control

There is no such item.

6.2 Business combination under common control

There is no such item.

6.3 Reverse purchase

There is no such item.

6.4 Disposal of subsidiaries

There is no such item.

6.5 Other situations leading to changes in the scope of consolidation

On 23 March 2016, the shareholders of Jiaxing Gas Group Limited, Zhejiang Tai Ding Investment Co. Ltd., Songqiang Xu, Zhenxiong Liu, Yanrui Xu, Hua Xu, co-signed agreement of consortium offer, after the resolution came into effect, the consortium offer's stake in Jiaxing Gas Group Co. Ltd. exceeded the proportion of the Company's shareholding in Jiaxing Gas Group Co. Ltd., the Company lost actual control of the Jiaxing Gas Group Co. Ltd., and decided that Jiaxing Gas Group Co., Ltd. should be incorporated in the scope of consolidation not any longer since 2016.

Note 7. Interests in other entities

7.1 Interests in subsidiaries

(a) The constitution of Enterprise Group

Name of subsidiary	Main place of operation	Registered place	Nature of business	Percentage of shareholding by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Jiaxing City Construction Investment Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Urban infrastructure investment and construction	100.00		set up
Jiaxing city construction real estate development Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Real estate development		100.00	set up

Name of subsidiary	Main place of operation	Registered place	Nature of business	Percentage of shareholding by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Jiaxing Jiacheng Huanyi Property Management Co. Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Property management		100.00	set up
Jiaxing City Village catering Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	food and beverage management		100.00	set up
Jiaxing Jiacheng Construction Development Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Urban infrastructure investment and construction		100.00	buy in
Jiaxing City River Inn Co. Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Hotel (accommodation)		100.00	set up
Jiaxing Yintai Meiwan Xintiandi Investment Management Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Investment management, enterprise management		100.00	buy in
Jiaxing Nanhu Scenic Spot Development Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Investment and development of Nanhu scenic spot	100.00		set up
Jiaxing City Yingzhou Ancient Garden Construction Co. Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	virescence project's construction		100.00	set up

Name of subsidiary	Main place of operation	Registered place	Nature of business	Percentage of shareholding by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Jiaxing housing levy Service Center	Jiaxing, Zhejiang	Jiaxing, Zhejiang	house expropriation and compensation	100.00		set up
Jiaxing Jiacheng Housebreaking Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	House demolition	100.00		set up
Jiaxing Nanhu Construction Development General Corporation	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Urban infrastructure construction	100.00		transferred
Real estate Jiaxing central construction and development company	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Urban infrastructure construction	100.00		transferred
Old city renewal headquarters	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Urban infrastructure construction	100.00		transferred
Jiaxing City Development Office	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Urban infrastructure construction	100.00		transferred
Jiaxing silver land new rural development Investment Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Investment and construction of country infrastructure	100.00		transferred
Jiaxing Nanhu Traffic Construction	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Traffic infrastructure	100.00		transferred

Name of subsidiary	Main place of operation	Registered place	Nature of business	Percentage of shareholding by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Investment Co., Ltd.			investment and development			
Willow Bay farmers' market	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Market management	100.00		transferred
Jiaxing Tourism Development Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Development and construction of tourism resources	100.00		set up
Jiaxing Natural Gas Pipe and Mesh Construction Management Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Supply and sale of natural gas	100.00		set up
Jiaxing Shalong International Hotel Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Hotel (accommodation)		75.32	set up
Jiaxing Xiuyuan water Investment Group Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Investment, construction and development of water conservancy social public welfare projects	100.00		transferred
Jiaxing Xiuzhou District sewage treatment Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Management of sewage collection network		100.00	transferred
Jiaxing Xiuzhou District Jie Feng Emissions Trading Service Co. Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	emission rights trading management services		100.00	transferred

Name of subsidiary	Main place of operation	Registered place	Nature of business	Percentage of shareholding by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Jiaxing Xiu Yuan tap water operation management Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Operation management and service of water supply network		100.00	transferred
Jiaxing Xiu Yuan dredging Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Road dredging		100.00	transferred
Jiaxing Xiuzhou District Security Service Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Security service		100.00	transferred
Jiaxing Xiu'an electronic technology Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Research and development of electronic technology service		100.00	set up

(b) Important non-wholly-owned subsidiary

Name of subsidiary	Percentage of shareholding of minority shareholders (%)	Profit or loss attributable to non-controlling interests during the reporting period	Dividends paid to non-controlling interests during the reporting period	Non-controlling interests at the end of the reporting period
Jiaxing Shalong International Hotel Co., Ltd.	24.68	-3,937,062.57		11,566,652.94

(c) The main financial information of important non-wholly-owned subsidiaries

Name of subsidiary	31 Dec 2016					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities

Name of subsidiary	31 Dec 2016					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Jiaxing Shalong International Hotel Co., Ltd.	15,026,310.78	222,404,696.90	237,431,007.68	190,564,504.68		190,564,504.68

(Continued)

Name of subsidiary	31 Dec 2015					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Jiaxing Shalong International Hotel Co., Ltd.	12,831,098.90	240,372,240.95	253,203,339.85	190,384,395.35		190,384,395.35

Name of subsidiary	Year ended 31 Dec 2016			
	Revenue	Net profit/(loss) for the year	Total comprehensive income for the year	Net cash flows from operating activities
Jiaxing Shalong International Hotel Co., Ltd.	18,861,117.31	-15,952,441.52	-15,952,441.52	-1,198,571.81

(Continued)

Name of subsidiary	Year ended 31 Dec 2015			
	Revenue	Net profit/(loss) for the year	Total comprehensive income for the year	Net cash flows from operating activities
Jiaxing Shalong International Hotel Co., Ltd.	54,421,340.09	-18,469,913.99	-18,469,913.99	-842,356.11

7.2 Interests in joint arrangements or associates

(a) Material joint ventures or associates

Company name	Main place of operation	Registered place	Nature of business	Percentage of shareholding by the Company (%)		Measurement methods
				Direct	Indirect	
Joint venture						
Jiaxing Tourism Collector-Distributor Center Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Tourism business	30.00		Equity method
Zhejiang Qing Yuan Tourism Development Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Development and management o tourism resources	32.76		Equity method
Jiaxing Gas Group Co. Ltd	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Sales for natura gas and liquefied petroleum gas	32.76		Equity method

(b) The main financial information of the important joint ventures

There is no such item.

(c) The main financial information of the important associates

Item	Year ended 31 Dec 2016		Year ended 31 Dec 2015	
	Jiaxing Gas Group Co. Ltd	Jiaxing Qingyuan Ecology Grange Co., Ltd.	Jiaxing Gas Group Co. Ltd	Jiaxing Qingyuan Ecology Grange Co., Ltd.
Current assets	430,529,573.70	303,310,287.27	443,619,766.43	
Non-current assets	873,675,322.52	271,896,007.98	1,034,440,474.04	
Total assets	1,304,204,896.22	575,206,295.25	1,478,060,240.47	
Current liabilities	618,851,693.72	525,278,483.60	741,447,003.06	
Non-current liabilities	448,630,299.44		485,946,428.12	
Total liabilities	1,067,481,993.16	525,278,483.60	1,227,393,431.18	
Non-controlling interests	9,104,819.28	16,283,776.26	42,785,777.64	
Total owner's equity attributable to parent company	227,618,083.78	33,644,035.38	207,881,031.65	
Net assets according to proportion	74,561,688.16	11,020,961.25		
Carrying amount of investment in the associate	74,561,688.16	11,020,961.25		
Revenue	717,465,783.92		847,891,468.03	
Net profit/(loss)	75,253,729.55		38,389,613.19	
Net profit from discontinued operations				
Other comprehensive income				
Total comprehensive income	792,719,513.47		38,389,613.19	
Dividends received from the associate	19,654,500.00			

Other instructions：In 2015 and the previous years, Jiaxing Gas Group Co. Ltd was incorporated into the scope of the consolidation, and the Gas Group's statements were consolidated.

(d) Summarized financial information about joint ventures and associates that are individually immaterial

	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Joint venture:		
Jiaxing Tourism Collector-Distributor Center Co., Ltd.		
Total carrying amount of investments	479,748.64	479,748.64
The aggregate of below items based on shareholding:		
—Net profit/(loss)		
—Other comprehensive income		
—Total comprehensive income		

Note 8. Related parties and related party transactions

8.1 Parent company of the Company

Name	Registered address	Nature of the business	Registered capital	Shareholdings in the Company (%)	Voting rights in the Company (%)
Jiaxing Culture Mingcheng Investment Group Co., Ltd.	Jiaxing, Zhejiang	Investment, management and management of state-owned asset	2,036,000,000.00	100.00	100.00

(a) Details of the parent company

Jiaxing People's government state-owned assets supervision and management committee.

8.2 Basic information of subsidiaries

Details of the subsidiaries please refer to Notes 7. Interests in other entities.

8.3 Joint ventures and associates of the Company

(a) Basic information of significant joint ventures and associates

Details of significant joint ventures and associates please refer to Notes 7. Interests in other entities.

8.4 Other related parties of the Company

Name	Relationship with the Company
Jiaxing Xiangjiadang Investment Co., Ltd.	Same actual controller
Zhejiang Jiaxing Xiangjia Lake development and Construction Co., Ltd.	Same actual controller

8.5 Receivables and payables with related parties

(a) Receivables

Items	Related parties	31 Dec 2016		31 Dec 2015	
		Book value	Bad debt provision	Book value	Bad debt provision
Other receivables					
	Jiaxing Culture Mingcheng Investment Group Co., Ltd.	691,174,584.52		512,837,606.09	
	Jiaxing Xiangjiadang Investment Co., Ltd.	255,817,182.57		592,569,606.62	
	Zhejiang Jiaxing Xiangjia Lake development and Construction Co., Ltd.	279,032,978.41		268,920,613.73	

(b) Payables

Items	Related parties	31 Dec 2016	31 Dec 2015

Other payables			
	Jiaxing Culture Mingcheng Investment Group Co., Ltd.	16,603,300.00	16,603,300.00
	Jiaxing Nanhu Hetai Small loan Co., Ltd.		10,000,000.00
	Yancheng Jiaxiang Real Estate Development Co., Ltd.		10,000,000.00

8.6 Commitments with related parties

There is no such item.

8.7 Others

There is no such item.

Note 9. Commitments and contingencies

9.1 Significant commitments

As at 31 December 2016, the Company has no significant commitments need to be disclosed.

9.2 Contingencies

Provision of guarantee to other companies

Guarantor	Guarantee	Guaranty Bank	Amount (RMB 000)	Whether the guarantee has been fulfilled
Jiaxing City Construction Investment Co., Ltd.	Jiaxing Jiatong Passenger Transportation Changzhan Investment Development Co., L td.	Bank of Communications	76,300.00	Not yet

Guarantor	Guarantee	Guaranty Bank	Amount (RMB 000)	Whether the guarantee has been fulfilled
Jiaxing City Construction Investment Co., Ltd.	Jiaxing Lianhe sewage treatment Co., Ltd.	Agricultural Bank China	20,000.00	Not yet
Jiaxing City Construction Investment Co., Ltd.	Jiaxing Jia Yuan Water Supply and Drainage Co., Ltd.	Agricultural Bank China	144,770.00	Not yet
Jiaxing City Construction Investment Co., Ltd.	Jiaxing Economic Development Zone Construction Development Co., Ltd.	Caitong Securities Co., Ltd.	540,000.00	Not yet
Jiaxing City Construction Investment Co., Ltd.	Jiaxing International Business District Investment & Construction Co., Ltd.	China Construction Bank	78,000.00	Not yet
Jiaxing City Construction Investment Co., Ltd.	Jiaxing Traffic Investment Group Co., Ltd.	China Construction Bank	100,000.00	Not yet
Jiaxing City Construction Investment Co., Ltd.	Jiaxing Economic Development Zone Construction Development Co., Ltd.	Zhejiang International Trust & Investment Company Ltd.	500,000.00	Not yet
Jiaxing City Investment and Development Group Co., Ltd.	Jiaxing High Grade Highway Investment Co., Ltd.	Minsheng Bank of China	400,000.00	Not yet

Guarantor	Guarantee	Guaranty Bank	Amount (RMB 000)	Whether the guarantee has been fulfilled
Jiaxing City Investment and Development Group Co., Ltd.	Jiaxing Xiangjiadang Investment Co., Ltd.	BOC International (China) Limited	300,000.00	Not yet

9.3 Others

There is no such item.

Note 10. Events after the reporting period

There is no such item.

Note 11. Other significant matters

11.1 Corrections of prior period accounting errors

In 2015, extracted bonus、income tax lessly，this period shall be subject to retrospective adjustment. The major impact of above retroactive adjustments on the financial statements is as follows：

31 December 2015, in the consolidated balance sheets: salary payable increased by CNY376,498.22 yuan, taxes payable CNY342,814.23 yuan, undistributed profits decreased by CNY719,312.45 yuan;

2015 annual, the consolidated income statement, management expenses increased by CNY376,498.22 yuan, income tax expenses CNY342,814.23 yuan, net profit decreased by CNY719,312.45 yuan, undistributed profit decreased by CNY719,312.45 yuan.

11.2 Debt restructuring

There is no such item.

11.3 Assets exchange

There is no such item.

11.4 Annuity plan

There is no such item.

11.5 Discontinued operations

There is no such item.

11.6 Segment information

There is no such item.

11.7 Others

There is no such item.

Note 12. Notes to the main items in the financial statements of the Company

12.1 Other receivables

(1) Disclosure of other receivables by category

Item	31 Dec 2016				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individually significant balance and recognised provision for bad debt individually					
Other receivables with bad debt provision recognised collectively by similar credit risk characteristics	1,971,138,591.18				1,971,138,591.18

Item	31 Dec 2016				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Combination 1：	1,971,138,591.18				1,971,138,591.18
Combination 2：					
Other receivables with individually insignificant balance but recognised provision for bad debt individually					
Total	**1,971,138,591.18**				**1,971,138,591.18**

(Continued)

Item	31 Dec 2015				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individually significant balance and recognised provision for bad debt individually					

Other receivables with bad debt provision recognised collectively by similar credit risk characteristics	3,334,741,026.66	100.00			3,334,741,026.66
Combination 1：	3,334,741,026.66	100.00			3,334,741,026.66
Combination 2：					
Other receivables with individually insignificant balance but recognised provision for bad debt individually					
Total	**3,334,741,026.66**	**100.00**			**3,334,741,026.66**

①Other receivables with individually significant balance and recognised provision for bad debt individually:

There is no such item.

②Details of accounts receivable in combination 1：

Unit name	Other receivables	Provision for bad debt	Provision ratio (%)	Reason
Jiaxing Culture Mingcheng Investment Group Co., Ltd.	157,400,000.00			The risk of bad debt is low
Jiaxing Nanhu City Construction Investment Group Co., Ltd.	41,000,000.00			The risk of bad debt is low
Jiaxing City Construction Investment Co., Ltd.	1,772,085,943.25			The risk of bad debt is low

Others	652,647.93			The risk of bad debt is low
Subtotal	**1,971,138,591.18**			

(2) Provision, recovery or reversal of bad debt

There is no such item.

(3) Other receivables written-off during the reporting period

There is no such item.

(4) Disclosure of Larger closing balances by entity:

Unit name	Nature	Carrying amount	Age	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Jiaxing City Construction Investment Co., Ltd.	Current account	1,772,085,943.25	Within one year、1 to 2 years	89.90	
Jiaxing Culture Mingcheng Investment Group Co., Ltd.	Current account	157,400,000.00	Within one year、2 to 3 years	7.99	
Jiaxing Nanhu City Construction Investment Group Co., Ltd.	Current account	41,000,000.00	Over 3 years	2.08	
Total		**1,970,485,943.25**		**99.97**	

(5) Other receivables relating to government grants

There is no such item.

12.2 Long-term equity investment

Item	31 Dec 2016			31 Dec 2015		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Subsidiaries	7,280,992,002.31		7,280,992,002.31	7,280,992,002.31		7,280,992,002.31

Item	31 Dec 2016			31 Dec 2015		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Joint ventures and associates	86,062,398.06		86,062,398.06	479,748.64		479,748.64
Total	**7,367,054,400.37**		**7,367,054,400.37**	**7,281,471,750.95**		**7,281,471,750.95**

(1) Investments in subsidiaries

Investee	31 Dec 2015	Increase	Decrease	31 Dec 2016	Provision for impairment during the reporting period	Provision for impairment at 31 Dec 2016
Jiaxing City Construction Investment Co., Ltd.	5,035,767,655.42			5,035,767,655.42		
Jiaxing Jiacheng Housing Demolition Co., Ltd.	10,118,840.43			10,118,840.43		
Jiaxing Jiacheng Tourism Development Co., Ltd.	4,011,389.19			4,011,389.19		
Jiaxing Jiacheng Asset Manegement Co., Ltd.	10,087,206.45			10,087,206.45		
Jiaxing Natural Gas Pipe and Mesh Construction Management Co., Ltd.	271,519,562.52			271,519,562.52		
Jiaxing Nanhu Scenic Spot Development Co., Ltd.	101,101,207.85			101,101,207.85		

Investee	31 Dec 2015	Increase	Decrease	31 Dec 2016	Provision for impairment during the reporting period	Provision for impairment at 31 Dec 2016
Jiaxing Nanhu Construction Development General Corporation	114,278,328.19			114,278,328.19		
Old city renewal headquarters	393,800,294.56			393,800,294.56		
Jiaxing City Development Office	5,334,694.98			5,334,694.98		
Jiaxing housing levy Service Center	5,000,000.00			5,000,000.00		
Jiaxing silver land new rural development Investment Co., Ltd.	163,641,840.07			163,641,840.07		
Jiaxing Nanhu Traffic Construction Investment Co., Ltd.	439,301,405.64			439,301,405.64		
Jiaxing Xiuyuan water Investment Group Co., Ltd.	727,029,577.01			727,029,577.01		
Total	**7,280,992,002.31**			**7,280,992,002.31**		

(2) Investments in joint ventures and associates

Investee	31 Dec 2015	Changes during the reporting period				
		Increase during the reporting period	Decrease during the reporting	Gains /(losses) on investments under the equity	Adjustments of other comprehensi	Changes in other equity

			period	method	ve income	
I. Joint ventures						
Jiaxing Tourism Collector-Distributor Center Co., Ltd.	479,748.64					
Jiaxing Gas Group Co. Ltd		68,096,403.06		26,119,785.11		
Zhejiang Qing Yuan Tourism Development Co., Ltd.		16,378,750.00		-5,357,788.75		
Total	**479,748.64**	**84,475,153.06**		**20,761,996.36**		

(Continued)

Investee	Changes during the reporting period			31 Dec 2016	Provision for impairment at 31 Dec 2016
	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
I. Joint ventures					
Jiaxing Tourism Collector-Distributor Center Co., Ltd.				479,748.64	
Jiaxing Gas Group Co. Ltd	-19,654,500.00			74,561,688.17	
Zhejiang Qing Yuan Tourism Development Co., Ltd.				11,020,961.25	
Total	**-19,654,500.00**			**86,062,398.06**	

12.3 Income from investment

Item	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Investment income from long-term equity investments under cost method	20,761,996.36	
Investment income from long-term equity		

Item	Year ended 31 Dec 2016	Year ended 31 Dec 2015
investments under equity method		
Gains on disposal of long-term equity investments		
Investment income from financial assets at fair value through profit or loss during the holding period		
Gains on disposal of financial assets at fair value through profit or loss		
Investment income from held-to-maturity investments during the holding period		
Investment income from available-for-sale financial assets during the holding period	8,400,000.00	
Gains on disposal of available-for-sale financial assets		
Gains on the remeasurement of the remaining interest at fair value at the date of loss of control		
Total	**29,161,996.36**	

Jiaxing City Investment and Development Group Co.，Ltd.

Legal representative: Head of accounting department: Head of the accounting firm:

Date：24 April 2017 Date：24 April 2017 Date：24 April 2017

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