

## IMPORTANT NOTICE

### NOT FOR DISTRIBUTION INTO THE UNITED STATES

**IMPORTANT: You must read the following before continuing.** The following applies to the preliminary offering circular (the “Offering Circular”) following this page, and you are therefore advised to read this 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 DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD 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 U.S. 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 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 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.

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 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 Managers or any affiliate of the Managers are licenced brokers or dealers in that jurisdiction, the offering shall be deemed to be made by the 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 Managers or any person who controls the Managers nor any director, officer, employee nor agent of the 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 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 in preliminary form and is being furnished in connection with an offering in offshore transactions outside the United States in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in the Offering Circular. You are reminded that the information in the attached Offering Circular is not complete and may be changed.

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

The information contained in this preliminary offering circular is not complete and may be changed. This Preliminary Offering Circular is not an offer to sell securities and is not soliciting an offer to buy securities in any jurisdiction where such offer or sale is not permitted. No offer or invitation shall be made or received, and no agreement shall be made, on the basis of this preliminary offering circular, to purchase or subscribe for any securities.

**SUBJECT TO COMPLETION**

**STRICTLY CONFIDENTIAL**

**PRELIMINARY OFFERING CIRCULAR DATED 25 OCTOBER 2018**



## HUNAN XIANGJIANG NEW AREA DEVELOPMENT GROUP CO., LTD

(湖南湘江新區發展集團有限公司)

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

**U.S.\$                      per cent. Bonds due**

**Issue Price:            per cent.**

The U.S.\$                      per cent. Bonds due (the "Bonds") will be issued by Hunan Xiangjiang New Area Development Group Co., Ltd (湖南湘江新區發展集團有限公司) (the "Issuer"), a company incorporated in the People's Republic of China (the "PRC") with limited liability. Neither the Changsha municipal government nor any other PRC governmental entity has any payment or other obligations under the Bonds or the trust deed dated on or about                      2018 (the "Trust Deed") between the Issuer and The Hongkong and Shanghai Banking Corporation Limited (the "Trustee") and will not provide a guarantee of any kind for the Bonds. The Bondholders shall have no recourse to the Changsha municipal government or any other PRC governmental entity in respect of any obligation arising out of or in connection with the Bonds or the Trust Deed. The Bonds are solely to be repaid by the Issuer and the obligations of the Issuer under the Bonds and the Trust Deed shall solely be fulfilled by the Issuer as an independent legal person. See "Risk Factors – Risks Relating to The PRC – The PRC Government and the Changsha municipal government have no legal obligations under the Bonds".

The Bonds will bear interest on their outstanding principal amount from and including                      2018 at the rate of                      per cent. per annum. Interest on the Bonds is payable semi-annually in arrears in equal instalments on                      and                      in each year, commencing on                      2019. Payments on the Bonds shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the PRC or any political subdivision or any authority therein or thereof having power to tax to the extent described under "Terms and Conditions of the Bonds – Taxation".

The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) (Negative Pledge) of the terms and conditions of the Bonds (the "Terms and Conditions")) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) (Negative Pledge) of the Terms and Conditions, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

The Issuer undertakes that it will (i) within 15 Registration Business Days (as defined in the Terms and Conditions) after the Issue Date (as defined in the Terms and Conditions), register or cause to be registered with the local counterpart of the State Administration of Foreign Exchange ("SAFE") the Bonds pursuant to the Administrative Measures for Foreign Debt Registration and its operating guidelines issued by SAFE, effective as at 13 May 2013 (the "Foreign Debt Registration"), (ii) use its best endeavours to complete the Foreign Debt Registration and obtain a registration record from SAFE on or before the Registration Deadline (being 120 Registration Business Days after the Issue Date) and (iii) comply with all applicable PRC laws and regulations in relation to the Bonds. For consequences of non-registration, see "Risk Factors – Risks Relating to the Bonds – Any failure to complete the relevant filings under the NDRC Notice and the relevant registration under SAFE within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Issuer and/or the investors of the Bonds".

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告(發改外資[2015]2044號))(the "NDRC Circular") issued by the National Development and Reform Commission of the PRC or its local counterparts ("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 23 March 2018 evidencing such registration and intends to provide the requisite information on the issuance of the Bonds to the NDRC within the prescribed timeframe after the Issue Date and to comply with all applicable PRC laws, rules and regulations in connection with the Bonds (including, but not limited to, any rules issued by the NDRC from time to time).

Unless previously redeemed, or purchased and cancelled, the Issuer will redeem each Bond at its principal amount on                      (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 (but excluding) the date fixed for redemption, if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions) as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after                      2018, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it. At any time following the occurrence of a Relevant Event (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 Put Settlement Date (as defined in the Terms and Conditions) at 101 per cent. (in the case of a redemption for a Change of Control Event (as defined in the Terms and Conditions) or 100 per cent. (in the case of a redemption for a No Registration Event (as defined in the Terms and Conditions)) of their principal amount, together in each case with accrued interest to (but excluding) such Put Settlement Date. See "Terms and Conditions – Redemption and Purchase".

For a more detailed description of the Bonds, see "Terms and Conditions of the Bonds" beginning on page 43.

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

Investing in the Bonds involves risks. See "Risk Factors" beginning on page 13 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".

Application will be made to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for the listing of the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (together, the "Professional Investors") only. This Offering Circular is for distribution to Professional Investors only. **Investors should not purchase the Bonds in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Bonds are only suitable for Professional Investors.**

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

**Singapore Securities and Futures Act Product Classification** – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Bonds (as defined in the Offering Circular) are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and "Excluded Investment Products" (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The Bonds will be represented initially by interests in a global certificate (the "Global Certificate") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about                      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 transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, definitive certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

[Moody's Investors Services, Inc. ("Moody's") has assigned a corporate rating of "                      " with a                      outlook and Fitch Ratings Inc. ("Fitch") has assigned a corporate rating of                      with a                      outlook, to the Issuer. The Bonds are expected to be rated                      by Moody's and                      by Fitch). A 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.

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

**Standard Chartered Bank**

**CEB International**

**Joint Bookrunner and Joint Lead Manager**

**Industrial Bank Co., Ltd. Hong Kong Branch**

## 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 AT ANY DATE SUBSEQUENT TO THE DATE HEREOF.

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

The Issuer, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer and its subsidiaries and affiliates (together with the Issuer, the “**Group**”) and the Bonds which is material in the context of the issue and offering of the Bonds (including the information which is required by applicable laws and according to the particular nature of the Issuer and the Bonds and is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and of the rights attaching to the Bonds); (ii) the statements contained in this Offering Circular and the roadshow presentations (including electronic roadshow materials), are in every material particular true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Group, the transaction documents in relation to the Bonds or the Bonds, the omission of which would, in the context of the issue and offering of the Bonds make any statement in this Offering Circular misleading; (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements in this Offering Circular; (vi) this Offering Circular does not include an untrue statement of a material fact, or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (vii) the statistical, industry and market-related data and forward looking statements included in this Offering Circular, are based on or derived or extracted from sources which the Issuer believes to be accurate and reliable in all material respects.

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 of Standard Chartered Bank, CEB International Capital Corporation Limited and Industrial Bank Co., Ltd. Hong Kong Branch (together, the “**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 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 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 Managers, the Trustee or the Agents (as defined in the Terms and Conditions) or their respective affiliates, directors, employees, agents, representatives, officers 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 Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers to subscribe for or purchase the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

None of the Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, 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 Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, 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 Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, 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 Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, 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 Managers, the Trustee, the Agents or any of their respective affiliates, directors, officers or advisers 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.

To the fullest extent permitted by law, none of the Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, 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 Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or on their behalf in connection with the Issuer or the issue and offering of the Bonds. Each of the Managers, the Trustee and the Agents and their respective affiliates, directors, employees, agents, representatives, 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 Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, 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 Managers, the Trustee or the Agents or their respective affiliates, directors, employees, agents, representatives, officers or advisers.

**Singapore Securities and Futures Act Product Classification** – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the “SFA”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Bonds (as defined in the Offering Circular) are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and “Excluded Investment Products” (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

**IN CONNECTION WITH THIS OFFERING, ANY OF THE MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS STABILISATION MANAGER (THE “STABILISATION MANAGER”) OR ANY PERSON(S) ACTING ON BEHALF OF THE STABILISATION 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 STABILISATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILISATION 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 END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS.**

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

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.

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

### **Industry and Market Data**

Market data and certain industry forecasts used throughout this Offering Circular have been obtained based on, among other sources, internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed by the Issuer to be reliable and accurate but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the



Issuer, the Managers or their respective affiliates, directors, employees, agents, representatives, officers and advisers makes any representation as to the correctness, accuracy or completeness of that information compiled within or outside the PRC. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon.

### **Presentation of Financial Information**

This Offering Circular contains consolidated financial information of the Issuer as at and for the years ended 31 December 2015 and 2016 and 2017, which has been extracted from the audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2016 (the “**Issuer’s 2016 Audited Consolidated Financial Statements**”) and as at and for the year ended 31 December 2017 (the “**Issuer’s 2017 Audited Consolidated Financial Statements**”) and together with the Issuer’s 2016 Audited Consolidated Financial Statements, the “**Issuer’s Audited Consolidated Financial Statements**”) which are included elsewhere in this Offering Circular. The Issuer’s Audited Consolidated Financial Statements were prepared and presented in accordance with the Accounting Standards for Business Enterprises in the PRC (the “**PRC GAAP**”) and have been audited by Pan-China Certified Public Accountants (“**Pan-China**”), the independent auditor of the Issuer in accordance with Auditing Standards for Chinese Certified Public Accountants. The Issuer’s Audited Consolidated Financial Statements were originally prepared in Chinese. None of the Managers nor their respective affiliates, directors, employees, agents, representatives, officers and advisers has independently verified or checked the accuracy of the Issuer’s Audited Consolidated Financial Statements and there can be no assurance that the information contained therein is accurate, truthful or complete. PRC GAAP differs in certain material respect from International Financial Reporting Standards (“**IFRS**”). See “*Summary of Certain Material Differences Between PRC GAAP and IFRS*”.

Certain unaudited and unreviewed interim consolidated financial information in relation to the Issuer as at and for the nine months ended 30 September 2018, has been included or described in “*Description of the Group – Recent Developments*”. Such unaudited and unreviewed interim consolidated financial information of the Issuer has not been audited or reviewed by an independent auditor. Consequently, such financial information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. None of the Managers makes any representation or warranty, express or implied, regarding the sufficiency of such financial information for an assessment of, and potential investors must exercise caution when using such data to evaluate the Issuer or the Issuer’s financial condition, results of operations and results. Such financial information 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.

## CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the “**PRC**” and “**China**” are to the People’s Republic of China (excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan); all references to the “**United States**” and “**U.S.**” are to the United States of America; all references to “**PRC Government**” are to the people’s government of the PRC; all references to “**Hong Kong**” are to the Hong Kong Special Administrative Region of the People’s Republic of China; all references to “**Renminbi**”, “**RMB**” and “**CNY**” are to the lawful currency of the PRC; and all references to “**USD**”, “**U.S.\$**” and “**U.S. dollars**” are to the lawful currency of the United States of America. 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.

This Offering Circular contains translation of certain Renminbi amounts into U.S. 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 U.S. dollars, it has been so translated, for convenience only, at the rate of RMB6.5063 to U.S.\$1.00 (the noon buying rate in New York City on 29 December 2017 as set forth in the weekly H.10 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 Rates*” 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 U.S. 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.

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

## FORWARD-LOOKING STATEMENTS

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 and results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include but are not limited to statements as to the business strategy, operating revenue and profitability, planned projects and other matters as they relate to the Issuer and/or the Group discussed in this Offering Circular regarding matters that are not historical fact. These forward-looking statements and any other projections contained in this Offering Circular (whether made by the Issuer or by any third party) involve known and unknown risks, including those disclosed under the caption “*Risk Factors*”, uncertainties and other factors that may cause the actual results, performance or achievements of the Issuer or the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.

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

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

- the Group’s ability to successfully implement its business plans and strategies;
- various business opportunities that the Group may pursue;
- financial condition, performance and business prospects of the Group;
- the Group’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 PRC Government and the Changsha Municipal Government and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Group’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 Group operates;
- fluctuations in prices of and demand for products and services that the Group provides;
- macroeconomic measures taken by the PRC Government to manage economic growth;
- natural disasters, industrial action, terrorist attacks and other events beyond the control of the Group;



- changes in the global economic conditions; 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. The Issuer cautions investors not to place undue reliance on these forward-looking statements which reflect its managements’ view only as at the date of this Offering Circular. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the actual results of the Issuer or the Group could differ materially from those anticipated in these forward-looking statements.

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## SUMMARY

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

### OVERVIEW

The Issuer is a company with a strategical positioning in Xiangjiang New Area (湘江新區). The Issuer, since its incorporation in 2016, has played an important role in the development of the Xiangjiang New Area in various aspects. The Issuer holds an absolute advantage over its competitors in this region over such as primary land development, municipal road and infrastructure construction, property management and services and other ancillary businesses. The Group is an important platform for infrastructure construction, urban area development, modern industrial system construction, ecological environment development and treatment and construction of resource-saving, environment-friendly society in Xiangjiang New Area. The Group conducts its businesses mainly through equity investment, such as holding minority or controlling interests, in other entities. Recently, with continued innovation and expansion, the Group has become an essential integrated services provider within the Xiangjiang New Area.

The Issuer was established in April 2016 as a vehicle for governmental investment in development. As at the date of this Offering Circular, the Group is ultimately owned by Changsha SASAC of Hunan (湖南省長沙市人民政府國有資產監督管理委員會) with a registered capital of RMB30.0 billion. It falls within the purview of the Xiangjiang New Area Management Committee (湖南湘江新區管理委員會) through its business instructions. The Group is engaged in promoting the development and competitiveness of the Xiangjiang New Area. The Xiangjiang New Area Management Committee is an agency entity of the Changsha Municipal Government and manages general affairs of the Xiangjiang New Area. To support the growth of the Group’s business and expansion, the Xiangjiang New Area Management Committee provides ongoing policy and financial support to the Group.

As the most important land development body and the key infrastructure construction body in Xiangjiang New Area, the Group’s main three sources of revenue are its primary land development, municipal road and infrastructure construction, and property management and services within Xiangjiang New Area. The Group also conducts some other ancillary businesses such as real estate development and private equity investment.

As at 31 December 2015, 2016 and 2017, the Group’s total assets amounted to approximately RMB44.7 billion, RMB47.5 billion and RMB55.4 billion, respectively. For the year ended 31 December 2015, 2016 and 2017, the Group’s total operating income amounted to approximately RMB2.4 billion, RMB2.9 billion and RMB2.2 billion, respectively. During the same years, the Group’s net profit amounted to approximately RMB258.6 million, RMB306.8 million and RMB282.6 million, respectively.

### Primary land development

The Group has been authorized to carry out the work of primary land development by the Xiangjiang New Area Management Committee. The activities relating to primary land development are largely carried out by the Group itself through its subsidiaries such as Meixihu Investment (Changsha) Co., Ltd. (梅溪湖投資(長沙)有限公司), Hunan Xiangjiang New Area Investment Group Co., Ltd. (湖南湘江新區投資集團有限公司) and Changsha Yuelu Mountain National University Science and Technology City Construction Investment Co., Ltd. (長沙岳麓山國家大學科技城建設投資有限公司), and such activities are facilitated by the land planning and development policies implemented within the Xiangjiang New Area.

After the Group obtains the land development quota from the Changsha Municipal Government, the Group will, solely or jointly with other third parties, finance and conduct the construction work of land levelling and connection of utility systems and arrange for the installation of municipal infrastructure (such as roads, water supply, drainage, electricity and telecommunications) so as to prepare the land for sale to secondary developers by the local government. The primary land development business line is the Group's largest business line in terms of operating income. The Group generated operating income of RMB1,996.3 million through its primary land development business line for the year ended 31 December 2017, representing approximately 91.2% of its total operating income for the period.

#### **Municipal road and infrastructure construction**

The Group is the most important entity appointed by the Xiangjiang New Area Management Committee to carry out municipal road and infrastructure construction projects in the Xiangjiang New Area. Leveraging on its experience and expertise in the municipal road and infrastructure industry, the Group undertakes a wide range of municipal road and infrastructure construction projects. The municipal road and infrastructure construction business line is the Group's second largest business line in terms of operating income. For the year ended 31 December 2017, operating income generated from the Group's municipal road and infrastructure construction segment was approximately RMB112.1 million, representing 5.1% of the Group's total operating income for the period.

#### **Property management and services**

The Group is the primary operator of municipal infrastructure in the Xiangjiang New Area. The Group is responsible for the management and maintenance of some municipal infrastructures such as -roads and tourism entertainment facilities. The Group also manages and maintain such as through leasing more than 120 thousand sq. metres of properties, and 965.3 thousand sq. metres of commercial land resources. The operating income contribution of the Group's property management and services segment is approximately RMB80.0 million for the year ended 31 December 2017, representing approximately 3.7% of the Group's total operating income for the period.

#### **Other ancillary businesses**

In addition to the Group's three major business lines, the Group is also engaged various other businesses through its subsidiaries and affiliate to complement its principal businesses, mainly including real estate development, equity investment, cultural tourism and environmental treatment.

#### **COMPETITIVE STRENGTHS**

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

- strong support on business development and capital investment from Hunan provincial government and Changsha municipal government;
- strategic importance to Hunan province and Changsha;
- premium assets generating stable cash flow;
- diversified financing channels; and
- experienced management with excellent execution capabilities.

## **BUSINESS STRATEGIES**

The Group intends to implement the following strategies, which the Group believes will help it further increase its business scale, results of operations and profitability:

- further promote primary land development with the support of the Changsha municipal government;
- further expand operations in municipal road and infrastructure construction in line with regional economic development policies;
- integrate and utilise modern urban resources for sustainable growth;
- focus on various investment sources to sustain long-term growth of the Xiangjiang New Area; and
- attract and retain talented personnel through systematic training programs and competitive remuneration packages.

## **RECENT DEVELOPMENTS**

For the nine months ended 30 September 2018, the Group's total operating revenue decreased as compared to the same period in 2017. The main reason for this is due to the decrease in the sale of the developed land parcels by the Hunan Xiangjiang New Area Land Resources Centre as a result of the changes in the land policy of Changsha Municipal Government in 2018 which brought in the decrease in the revenue the Group recognized from its primary land development business, as well as due to decreased construction fees through assets purchase from Xiangjiang New Area Management Committee which brought in the decrease in the revenue the Group recognized from its municipal road and infrastructure construction business. During the same period, the decrease in the Group's total operating cost is primarily in line with the trend of its total operating revenue, and further given that the Group's previous investment in Meixi Lake Area was close to final by the end of 2017 and Dawang Mountain Area remained stable. The cash flows from operating activities increased significantly for the nine months ended 30 September 2018 as compared to the same period in 2017, which reflected the continual and strong local government support to our business and financial operation primarily through other cash receipts related to operating activities and cash receipts from sale of goods or rendering of services. In addition, the Group's cash and bank balances increased as at 30 September 2018 as compared to as at 31 December 2017, whereas the accounts receivable decreased during the same period. The Group is strategically accumulating assets and diversify its financing portfolio for better supporting its main business.

On 25 June 2018, Hunan Xiangjiang New Area Investment Group Co., Ltd. published an announcement on the website of the Shanghai Stock Exchange stating that Hunan Xiangjiang New Area Municipal Construction Investment Co., Ltd. is to be merged with the Hunan Xiangjiang New Area Investment Group Co., Ltd. including all of its assets, however its liabilities are intended to be transferred to the Issuer. As at the date of the offering circular, this transaction is still undergoing relevant regulatory approval procedures with the Changsha SASAC. The Group does not control the timing or value of these asset injections and restructurings. Please see "Risks Relating to The Group's Business – The Issuer's Controlling Shareholder is Able to Exercise Substantial Influence over The Issuer's Corporate Policies, Strategies and Operations, and May Direct The Outcome of Its Corporate Actions".



## THE OFFERING

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

<b>Issuer</b> . . . . .	Hunan Xiangjiang New Area Development Group Co., Ltd (湖南湘江新區發展集團有限公司).
<b>The Bonds</b> . . . . .	U.S.\$                      per cent. Bonds due .
<b>Issue Price</b> . . . . .	The Bonds will be issued at                      per cent. of their principal amount.
<b>Form and Denomination</b> . . . . .	The Bonds will be issued in registered form in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
<b>Issue Date</b> . . . . .	2018.
<b>Interest</b> . . . . .	The Bonds will bear interest on their outstanding principal amount from and including                      2018, at the rate of                      per cent. per annum, payable semi-annually in arrear in equal instalments on                      and                      in each year, commencing on 2019.
<b>Maturity Date</b> . . . . .	.
<b>Status of the Bonds</b> . . . . .	<p>The Bonds will constitute direct, unconditional and (subject to Condition 4(a) (<i>Negative Pledge</i>) of the Terms and Conditions) unsecured obligations of the Issuer which will at all times rank <i>pari passu</i> and without preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) (<i>Negative Pledge</i>) of the Terms and Conditions, at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer.</p> <p>Neither the Changsha Government nor any other PRC governmental entity has any payment or other obligations under the Bonds or the Trust Deed and will not provide a guarantee of any kind for the Bonds. The Bondholders shall have no recourse to the Changsha Government or any other PRC governmental entity in respect of any obligation arising out of or in connection with the Bonds or the Trust Deed. The Bonds are solely to be repaid by the Issuer and the obligations of the Issuer under the Bonds or the Trust Deed shall solely be fulfilled by the Issuer as an independent legal person.</p>

**Negative Pledge** . . . . . The Bonds will contain a negative pledge provision as further described in Condition 4(a) (*Negative Pledge*) of the Terms and Conditions.

**Use of Proceeds** . . . . . The net proceeds of the issue of the Bonds will be used for the refinancing of existing indebtedness and for general working capital and investment activities of the Group. See “*Use of Proceeds*”.

**Events of Default** . . . . . The Bonds will contain certain events of default as further described in Condition 9 (*Events of Default*) of the Terms and Conditions.

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

Where such withholding or deduction is made by the Issuer in respect of PRC tax up to and including the aggregate rate applicable on 2018 (the “**Applicable Rate**”), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer is required to make a deduction or withholding by or within the PRC in excess of the Applicable Rate, the Issuer shall pay such additional amounts (the “**Additional Tax Amounts**”) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Tax Amounts shall be payable in the circumstances set out in Condition 8 (*Taxation*) of the Terms and Conditions.

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

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

**Redemption for Relevant Events .**

Following the occurrence of a Relevant Event, the Holder of any Bond will have the right, at such Holder’s option, to require the Issuer to redeem all, but not some only, of such Holder’s Bonds at 101 per cent. (in the case of a redemption for a Change of Control Event) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together in each case with accrued interest up to (but excluding) the Put Settlement Date, as further described in Condition 6(c) (*Redemption for Relevant Events*) of the Terms and Conditions.

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

- (i) Changsha SASAC and any other Person directly or indirectly Controlled by the Changsha City Government or the government of the PRC, together or singly ceases to directly or indirectly hold or own at least 100 per cent. of the issued share capital of the Issuer; or
- (ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the Issuer’s assets to any other Person or Persons, except where such Person(s) (in the case of asset sale or transfer) or the surviving entity (in case of consolidation or merger) is/are, directly or indirectly, Controlled by Changsha SASAC, Changsha City Government or the government of the PRC, together or singly,

as further described in Condition 6(c) (*Redemption for Relevant Events*) of the Terms and Conditions

**Redemption for**

**Taxation Reasons . . . . .**

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

- (i) the Issuer has or will become obliged to pay Additional Tax Amounts as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 2018; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts if a payment in respect of the Bonds were then due, as further described in Condition 6(b) (*Redemption for Taxation Reasons*) of the Terms and Conditions.

<b>Further Issues</b> . . . . .	The Issuer is at liberty from time to time without the consent of the Bondholders to create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects save for the first payment of interest on them and the timing for complying with the Registration Conditions, the filing and completion of the Foreign Debt Registration and the submission of the NDRC Post-issue Filing) and so that the same shall be consolidated and form a single series with the outstanding Bonds, as the case may be, as further described in Condition 15 ( <i>Further Issues</i> ) of the Terms and Conditions.
<b>Trustee</b> . . . . .	The Hongkong and Shanghai Banking Corporation Limited.
<b>Principal Paying Agent, Registrar and Transfer Agent.</b> . . . . .	The Hongkong and Shanghai Banking Corporation Limited.
<b>Clearing Systems</b> . . . . .	The Bonds will be represented initially by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depository for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in this Offering Circular, definitive certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
<b>Clearance and Settlement</b> . . . . .	The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 189712863 and the ISIN for the Bonds is XS1897128630.
<b>Notices and Payment</b> . . . . .	So long as the Global Certificate is held on behalf of Euroclear and Clearstream, any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Terms and Conditions.
<b>Governing Law</b> . . . . .	English law.
<b>Listing</b> . . . . .	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only. Such permission is expected to become effective on or about 2018.

**Selling Restrictions** . . . . . The Bonds have not been and will not be registered under the Securities Act or under any state securities laws of the United States, are being offered only outside the United States in reliance of Regulation S of the Securities Act and will be subject to customary restrictions on transfer and resale. See “*Subscription and Sale*”.

**Ratings** . . . . . [Moody’s has assigned a corporate rating of        with a outlook and Fitch has assigned a corporate rating of        with a outlook, to the Issuer. The Bonds are expected to be rated by Moody’s and        by Fitch.] A 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.



## SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The summary consolidated financial information of the Issuer as at and for the years ended 31 December 2015, 2016 and 2017 set forth below is derived from and should be read in conjunction with the audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2016 and 2017, including the notes thereto and the auditor's report in respect of the years ended 31 December 2016 and 2017 included elsewhere in this Offering Circular. The Issuer's Audited Consolidated Financial Statements were prepared and presented in accordance with PRC GAAP and have been audited by Pan-China.

The Issuer's Audited Consolidated Financial Statements were originally prepared in Chinese. None of the Managers nor their respective affiliates, directors, employees, agents, representatives, officers and advisers has independently verified or checked the accuracy of the Issuer's Audited Consolidated Financial Statements and there can be no assurance that the information contained therein is accurate, truthful or complete.

The Issuer's Audited Consolidated Financial Statements as at and for the period was prepared and presented in accordance with PRC GAAP. PRC GAAP are substantially in line with IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment. For a summary of the material differences, see "*Summary of Certain Material Differences between PRC GAAP and IFRS*".

### SUMMARY CONSOLIDATED INCOME STATEMENT

	Year ended 31 December		
	2015	2016	2017
	<i>(RMB in millions)</i>		
	(audited)		
<b>Total operating revenue</b> . . . . .	<b>2,447.8</b>	<b>2,899.7</b>	<b>2,193.7</b>
Including: Operating revenue . . . . .	2,447.8	2,899.7	2,193.7
<b>Total operating cost</b> . . . . .	<b>2,242.1</b>	<b>2,673.9</b>	<b>1,972.2</b>
Including: Operating cost . . . . .	2,174.7	2,591.1	1,860.9
Taxes & surcharge for operations. . . . .	6.2	5.3	11.5
Selling expenses . . . . .	10.2	5.2	6.1
Administrative expenses . . . . .	46.5	70.2	98.8
Financial expense . . . . .	3.7	0.1	(3.0)
Assets impairment loss. . . . .	0.9	2.0	(2.1)
Investment income (or less: losses) . . . . .	24.4	11.0	58.1
Including: Investment income from associates and joint ventures . . . . .	24.4	-	-
Gains on asset disposal (or less: losses) . . . . .	-	(0.01)	0.03
Other income . . . . .	-	-	14.3
<b>Operating profit (or less: losses)</b> . . . . .	<b>230.1</b>	<b>236.8</b>	<b>293.9</b>
Add: Non-operating revenue . . . . .	56.8	33.6	1.2
Less: Non-operating expenditures . . . . .	0.2	0.3	10.1
Including: Losses on disposal of fixed assets. . . . .	0.02	-	-
<b>Profit before tax (or less: total loss)</b> . . . . .	<b>286.7</b>	<b>270.1</b>	<b>285.0</b>
Less: Income tax . . . . .	1.2	0.8	2.4
<b>Net profit (or less: net loss)</b> . . . . .	<b>285.6</b>	<b>269.3</b>	<b>282.6</b>
(I) Categorized by the continuity of operations			
1.Net profit from continuing operations (or less: net loss) . . . . .	-	269.3	282.6
(II) Categorized by the portion of equity ownership			
1.Net profit attributable to owners of parent company (or less: net loss)	291.1	278.2	287.1
2.Non-controlling interest (or less: net loss) . . . . .	(5.5)	(9.0)	(4.5)
<b>Total comprehensive income</b> . . . . .	<b>285.6</b>	<b>269.3</b>	<b>282.6</b>
Items attributable to the owners of the parent company . . . . .	291.1	278.2	287.1
Items attributable to non-controlling shareholders. . . . .	(5.5)	(9.0)	(4.5)

## SUMMARY CONSOLIDATED BALANCE SHEET

	As at 31 December		
	2015	2016	2017
	<i>(RMB in millions)</i>		
	(audited)		
<b>Current Assets</b>			
Cash and bank balances . . . . .	4,488.3	3,954.4	3,078.1
Accounts receivable . . . . .	607.0	1,688.6	1,446.6
Advances paid . . . . .	473.5	489.7	558.2
Interest receivable . . . . .	9.6	0.3	17.7
Other receivables . . . . .	387.6	606.2	1,527.4
Inventories . . . . .	31,679.0	34,397.8	40,482.3
Non-current assets due within one year . . . . .	–	–	0.02
Other current assets . . . . .	2,377.2	76.2	593.1
<b>Total Current Assets</b> . . . . .	<b>40,022.2</b>	<b>41,213.1</b>	<b>47,703.5</b>
<b>Non-Current Assets</b>			
Available-for-sale financial assets . . . . .	–	–	20.0
Long-term receivable . . . . .	141.7	–	–
Long-term equity investments . . . . .	71.6	103.4	443.2
Investment property . . . . .	–	1,221.7	1,189.5
Fixed assets . . . . .	14.9	17.6	15.0
Construction in progress . . . . .	1,745.3	2,745.8	3,957.0
Intangible assets . . . . .	1,499.9	1,462.9	1,846.0
Long-term prepayments . . . . .	0.3	0.1	–
Other non-current assets . . . . .	1,181.3	390.1	179.6
<b>Total Non-current Assets</b> . . . . .	<b>4,655.0</b>	<b>5,941.6</b>	<b>7,650.2</b>
<b>Total Assets</b> . . . . .	<b>44,677.2</b>	<b>47,154.8</b>	<b>55,353.7</b>
<b>Current Liabilities</b>			
Short-term borrowings . . . . .	–	80.0	100.0
Accounts payable . . . . .	2,361.0	2,661.7	2,409.7
Advances received . . . . .	7,719.5	6,127.2	5,394.5
Employee benefits payable . . . . .	42.0	35.1	42.0
Taxes and rates payable . . . . .	9.2	6.6	12.9
Interest payable . . . . .	120.1	162.5	244.9
Other payables . . . . .	511.9	559.5	570.4
Non-current liabilities due within one year . . . . .	440.0	865.0	1,188.4
<b>Total Current Liabilities</b> . . . . .	<b>11,203.8</b>	<b>10,497.6</b>	<b>9,962.9</b>
<b>Non-Current Liabilities</b>			
Long-term borrowings . . . . .	3,675.0	1,460.0	7,606.3
Bonds payable . . . . .	1,900.0	4,540.0	4,180.0
Long-term payables . . . . .	5,258.8	5,887.3	6,373.3
Special payables . . . . .	2,230.4	1,085.4	2,705.5
Deferred income . . . . .	171.2	239.4	195.2
Other non-current liabilities . . . . .	1,663.7	1,189.1	399.7
<b>Total Non-current Liabilities</b> . . . . .	<b>14,899.1</b>	<b>14,401.2</b>	<b>21,460.1</b>
<b>Total Liabilities</b> . . . . .	<b>26,102.9</b>	<b>24,898.8</b>	<b>31,423.0</b>
<b>Equity</b>			
Paid-in capital/Share capital . . . . .	18,532.6	21,107.9	22,115.7
Capital reserve . . . . .	–	761.7	1,112.0
Surplus reserve . . . . .	–	–	21.6
Undistributed profit . . . . .	–	215.3	423.9
Total equity attributable to the parent company . . . . .	18,532.6	22,084.9	23,673.1
Non-controlling interest . . . . .	41.7	171.1	257.5
<b>Total Equity</b> . . . . .	<b>18,574.3</b>	<b>22,256.0</b>	<b>23,930.7</b>
<b>Total Liabilities and Equity</b> . . . . .	<b>44,677.2</b>	<b>47,154.8</b>	<b>55,353.7</b>

	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(RMB in millions)</i>		
	(audited)		
Net cash flows used in operating activities . . . . .	(4,420.0)	(5,611.8)	(5,663.8)
Net cash flows from/(used in) investing activities . . . . .	(1,440.4)	1,406.3	(2,107.0)
Net cash flows from financing activities . . . . .	7,460.0	3,671.6	6,895.5
Effect of foreign exchange rate changes on cash & cash equivalents . . . . .	–	–	(1.0)
Net increase/(decrease) in cash and cash equivalents . . . . .	1,599.7	(533.9)	(876.3)
Add: Opening balance of cash and cash equivalents . . . . .	2,888.6	4,488.3	3,954.4
Closing balance of cash and cash equivalents . . . . .	<u>4,488.3</u>	<u>3,954.4</u>	<u>3,078.1</u>

## OTHER FINANCIAL DATA OF THE GROUP

	<b>As at or for the year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(RMB in millions, except for percentages and ratios)</i>		
Gross profit <sup>(1)</sup> . . . . .	273	309	333
Total indebtedness <sup>(2)</sup> . . . . .	5,750	6,565	12,276
Net indebtedness <sup>(3)</sup> . . . . .	1,262	2,611	9,198
Total capitalisation <sup>(4)</sup> . . . . .	24,324	28,821	36,207
Total indebtedness/total capitalisation . . . . .	23.6%	22.8%	33.9%
Total liability/total assets . . . . .	58.4%	52.8%	56.8%
EBIT <sup>(5) (7)</sup> . . . . .	291	273	290
EBITDA <sup>(6) (7)</sup> . . . . .	325	317	330
EBIT growth compared with the previous year . . . . .	N/A	(6.5%)	6.4%
EBITDA growth compared with the previous year . . . . .	N/A	(2.6%)	4.2%
EBITDA margin <sup>(8)</sup> . . . . .	<u>13%</u>	<u>11%</u>	<u>15%</u>

### Note:

- (1) Gross profit represents total revenue less total operating costs.
- (2) Total indebtedness represents short-term borrowings adding non-current liabilities due within one year excluding long-term payables due within one year, long-term borrowings and bond payable.
- (3) Net indebtedness represents total indebtedness less cash and bank balances.
- (4) Total capitalisation represents total indebtedness adding total equity.
- (5) EBIT, as the Group present it, represents total revenue less operating costs, major business tax and surcharges, selling expense and administration expense, and adding income from investment, non-operating income – government subsidy and non-operating income – others.
- (6) EBITDA, as the Group present it, represents total revenue less operating costs, major business tax and surcharges, selling expense and administration expense, and adding income from investment, non-operating income – government subsidy, non-operating income – others, depreciation, amortisation of intangible assets and amortisation of long term expenses.
- (7) EBIT or EBITDA is not a standard measure under PRC GAAP, but is a widely used financial indicator of a company's ability to service and incur debt. EBIT or EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Group's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBIT or EBITDA, investors should consider, among other things, the components of EBIT or EBITDA such as total revenue and operating cost and the amount by which EBIT or EBITDA exceeds capital expenditures and other charges. EBIT or EBITDA have been included because it is believed that each is a useful supplement to cash flow data as a measure of the Group's performance and its ability to generate cash flow from operations to cover debt service and taxes. EBIT or EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Group's EBIT or EBITDA to EBIT or EBITDA presented by other companies because not all companies use the same definition.
- (8) EBITDA margin represents EBITDA divided by total revenue.

The following table reconciles the Group total revenue under PRC GAAP to our definition of EBIT and EBITDA for the years indicated.

	<u>Year ended 31 December</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>(RMB in millions)</i>		
<b>Total revenue</b> .....	<b>2,448</b>	<b>2,900</b>	<b>2,194</b>
Adjustments:			
Operating costs .....	(2,175)	(2,591)	(1,861)
Major business tax and surcharges .....	(6)	(5)	(12)
Selling expense .....	(10)	(5)	(6)
Administration expense .....	(47)	(70)	(99)
Income from investment .....	24	11	58
Non-operating income – Government Subsidy .....	57	33	15
Non-operating income – Others .....	0	0	0
<b>EBIT</b> .....	<b>291</b>	<b>273</b>	<b>290</b>
Add:			
Depreciation .....	5	6	37
Amortisation of intangible assets .....	28	38	2
Amortisation of long term expenses .....	–	–	1
<b>EBITDA</b> .....	<b>325</b>	<b>317</b>	<b>330</b>

## RISK FACTORS

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

*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.*

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

### RISKS RELATING TO THE GROUP'S BUSINESS

#### **The Group's business, financial condition, results of operations and prospects to a large extent depends upon the level of economic activity in Changsha.**

The Group is ultimately owned by Changsha SASAC of Hunan, and primarily engages in primary land development, municipal road and infrastructure construction, and property management and services and other ancillary businesses within Xiangjiang New Area in Changsha. Its business and assets are located and concentrated in Changsha. Therefore, its business, financial condition, results of operations and prospects to a large extent depends upon the level of economic activity in Changsha.

Key factors affecting the level of economic activity in Changsha include the Changsha Municipal Government's policies and its priorities relating to the development of different regions, its fiscal and monetary policies and its government income as well as the economic conditions in the PRC generally and in Changsha. While the PRC economy has demonstrated rapid growth in the past 30 years, a slowdown in the growth of China's gross domestic product ("GDP") since the second half of 2013 has raised a concern that the historic rapid growth of the PRC economy may not be sustainable. According to the National Statistics Bureau of the PRC, growth of China's GDP has continuously decreased from 7.7 per cent. since 2013 to 6.7 per cent. at the end of 2017.

China's overall economic conditions may affect the economic development of Changsha and the fiscal conditions of the Changsha Municipal Government, which may in turn materially and adversely affect the level of economic activity in Changsha and the Group's business, financial condition, results of operations and prospect.

#### **The Group's business operations are heavily influenced by governmental decisions and actions at various levels, over which the Group has no control and may not be in the Group's best interest.**

The Group collaborates with the PRC government and its affiliates, in particular the Changsha Municipal Government and Changsha SASAC and Xiangjiang New Area Management Committee, in its primary land development, municipal road and infrastructure construction, and property management and services and other ancillary businesses in Xiangjiang New Area in Changsha. Many aspects of the Group's business are heavily influenced by government decisions and actions at various levels, including



but not limited to, future changes of business strategy of the Group, commencement of new business or termination of any particular business the Group is currently engaged in, and the transfer or divestment of the Group's assets as directed by the government. Depending on the decisions and actions taken by governmental authorities, the Group's business and results of operations could fluctuate to some degree from year to year and may be adversely impacted.

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

The Group's business requires substantial capital resources. The Group has historically satisfied its capital requirement with (i) the cashflow generated from its operating activities, (ii) governmental grants from the Changsha Municipal Government, and (iii) proceeds of bank and other borrowings, securitisation of its account receivables and issuance of bonds or short term notes in the PRC capital market. The Group will continue to require additional capital resources to carry out its construction projects.

The ability of the Group to generate sufficient cash flow from its business operations is affected by a number of factors, including the Group's ability to manage and implement its business activities, local government's plans for project buybacks and for granting government funds, changes in the general market conditions and regulatory environment, and competition in certain sectors in which the Group operates. Any material changes in these areas, which may be out of the Group's control, may create capital shortfall. In particular, any delays in the payment by the government, and in government funding, and cost overruns inherent in the construction of the Group's projects may also cause such shortfall. There is no assurance that the Group's operations are able to generate sufficient cash to satisfy its liquidity requirements at all times, if at all. For the years ended 31 December 2015, 2016 and 2017, the Group had a net operating cash outflow of RMB4,420.0 million, RMB5,611.8 million and RMB5,663.8 million, respectively.

A portion of the capital demand of the Group is satisfied through funding provided by the finance department of the Changsha Municipal Government by way of governmental grants and subsidies. However, there can be no assurance that the Changsha Municipal Government will keep providing sufficient funds to the Group for the construction of the projects, if at all.

Insufficient cashflow generated from the Group's operating activities will increase the Group's reliance on external financing, in particular, on governmental grants from the Changsha Municipal Government. The Group's ability to access and raise sufficient capital through different sources depends upon a number of factors, such as the PRC's economic condition, relationships with key commercial banks, prevailing conditions in the loan and capital markets, the regulatory environment, and the Group's financial condition. Some of these factors are beyond the Group's control and there is no guarantee that the Group will be able to procure sufficient funds in a timely manner or will succeed in obtaining external financing on commercially acceptable terms. In these cases, given the long-term payback period of infrastructure investments and economic cyclical changes, 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.

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

As a company with a strategic positioning in Xiangjiang New Area, the Group is ultimately owned by Changsha SASAC of Hunan and falls within the purview of the Xiangjiang New Area Management Committee (湖南湘江新區管理委員會), an agency of Changsha municipal government, through its business instructions. The Group also collaborates with various governmental authorities and their controlled entities in Changsha. Although the Issuer believes that the Group currently maintains close working relationships with those governmental authorities and entities relevant to its businesses, there is no assurance that such work relationships will be maintained in the future. Local governments and their controlled entities may (i) have economic or business interests or considerations that are inconsistent

with the Group's, (ii) take actions contrary to the Group's requests, policies or objectives, (iii) be unable or unwilling to fulfil their obligations, (iv) encounter financial difficulties, or (v) have disputes with the Group as to their contractual terms or other matters. Those governmental authorities and entities may not honour their contractual obligations in a timely manner, if at all, or may, without prior notice to, or consultation with, the Group, change existing policies and project plans in Changsha for a number of reasons, such as government budgeting.

In addition, the Group has been instructed by the Xiangjiang New Area, which is a public body, to provide financial or investment services and to develop a large number of municipal infrastructure projects in Changsha. Those investment and infrastructure projects have a high demand for capital and involve many risks arising from budget overrun. The relevant public bodies should pay the Group the agreed asset purchase fee according to the progress of the relevant projects. However, the ability of the public body to make its payment or funding largely depends on its fiscal revenue, policies and regulations promulgated by superior governments or authorities, and many other factors which are generally beyond the Group's control.

Though relevant funding and payment to the Group for public projects shall be listed into the governmental annual financial budget, failure by the government to fulfil its payment or funding or any adverse change to the policies or business plan may require the Group to adjust its development plans and thus adversely affect its operating results. There is no guarantee that the Group is able to successfully resolve any material disagreement with any of counterparties which are public bodies in a timely manner, or at all. Disputes with public bodies may last for considerably longer periods of time than for those with private sector counterparties, and payments from the public bodies may be delayed as a result. Any of these may materially and adversely affect the business relationships between the Group and such counterparties, which may in turn materially and adversely affect the Group's business, financial condition, results of operations and prospects.

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

The Group relies on bank loans and proceeds from bond issuances to satisfy a portion of its capital requirements, and the Group has had a significant amount of outstanding indebtedness. As at 31 December 2017, the Group's total indebtedness (comprising short-term borrowings, non-current liabilities due within one year excluding long-term payables due within one year, long-term borrowings and bond payable) was RMB12,276.7 million, of which RMB490.4 million will become due within one year. In addition the Group may face increased pressure to pay off a significant amount of its debts if they happen to fail within a similar time period. If any borrower defaults on its debts guaranteed by the Group, the lender may exercise its right under the guarantee to demand immediate repayment from the Group. As a result, the Group's business, financial condition and results of operations may be materially and adversely affected. Substantial indebtedness could impact on the Group's businesses in a number of ways, including:

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

Certain financing agreements entered into by any member of the Group contain operational and financial restrictions on the Group's or, as the case may be, the relevant subsidiary's, business operations or financing activities, that prohibit the relevant borrower from incurring additional indebtedness, providing guarantees to other parties or changing its business focus or corporate structure unless it is able to satisfy certain requirements including but not limited to meeting certain financial ratios or obtaining the lender's prior consent. The ability of the Group to meet such requirements may be affected by events beyond its control. Such restrictions may also negatively affect the Group's ability to respond to changes in market conditions in time, take advantage of business opportunities the Group believes to be desirable, obtain future financing, fund capital expenditures, or withstand a continuing or future downturn in its business. Any of these factors could materially and adversely affect the Group's ability to satisfy its obligations under the Bonds and other debt.

If the Issuer or any of the relevant subsidiaries fail to comply with the restrictive clauses or financial covenants in its current or future financing agreements, a default under the terms of such agreements may occur which could enable the relevant lender to accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Some of the financing agreements entered into by the Issuer and its subsidiaries may contain cross-acceleration or cross-default provisions, which would be triggered by a default by the Issuer or any of its subsidiaries and cause the acceleration of repayment of all debt under such financing agreements. If any of these events occurs, there can be no assurance that the Issuer or its subsidiaries will be able to obtain the lenders' waiver in a timely manner or that the assets and cashflow 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.

As at 31 December 2017, certain portions of the Group's assets were provided as security to secure the Group's bank borrowings and guarantees. Third-party security rights may limit the Group's use of the charged assets and adversely affect its operational efficiency. If the Issuer and its subsidiaries are unable to service and repay their debts under such bank loans on a timely basis, the charged assets may be subject to forced sale or foreclosure, which may adversely affect the Group's business, prospects and financial condition.

**The Group operates in multiple businesses through a 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 Group has a number of subsidiaries and associated companies operating in multiple sectors. Through these subsidiaries and associated companies, the Group primarily engages in primary land development, municipal road and infrastructure construction, property management and services and other ancillary businesses. As such, the Group is exposed to risks associated with multiple businesses.

For example, the Group may not always be able to obtain land reserves that are suitable in time or on an acceptable market price for its real estate development business. In addition, the Group's real estate business is subject to claims under statutory quality warranties. The Group intends to identify and invest suitable targets in line with its development strategy. There is no assurance that the Group will be able to identify additional suitable investment opportunities, negotiate acceptable terms or successfully implement its investment plans.

The Group is exposed to business, market and regulatory risks relating to different industries, markets and geographic areas, and may from time to time expand its businesses to new industries, markets and geographic areas in which it has limited operating experience. It needs to devote substantial resources to become familiar with, and monitor changes in, different operating environments so that it can succeed in its businesses.

In addition, successful operation of the Group's subsidiaries and associated companies 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 Group provides direct funding, guarantees and other support to certain of its subsidiaries and associated companies. For instance, the Group provides shareholder loans to, or acts as a guarantor for the borrowings of, certain subsidiaries and associated companies. If a subsidiary or associated company defaults on any borrowings lent or guaranteed by the Group, the Group 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 Group level and may materially and adversely affect the Group's ability to provide financial support to its other portfolio companies. If the Group's financial or non-financial support ceases or diminishes for any reason, the operations of the relevant portfolio 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 may face unexpected difficulties in expanding into new industries and markets.**

To improve the Group's profitability and diversify potential risks, the Group has expanded its business to such as real estate and equity investment, in addition to its primary business segments. Expansion in this industry and related markets carries with it many associated risks, including risks related to lack of operating experience in the relevant industry and markets and lack of experienced management and employees to staff such expansion. Expansion may also place excessive pressure on the Group's financial, human and management resources that are otherwise available for the Group's current businesses. In addition, there may be other, more established, incumbent players in the relevant industry or markets, and it may be difficult for the Group to win market share from them. Additionally, the relevant industry or markets that the Group is targeting may have high barriers of entry to new participants. There can be no assurance that the Group's expansion plans will be successful and if the Group is unsuccessful at expanding its new markets, it may have a material adverse effect on the business and financial condition of the Group.

**The Group may be involved in some public interest projects in the future, which may not be commercially viable and, in turn, may have a material and adverse effect on the Group's financial condition and results of operations.**

The Group is wholly owned by the Changsha SASAC. As a state-owned enterprise, it may be required to engage and participate in projects which are principally motivated by public interests in the future. The public interest projects and semi-public interest projects may not be commercially viable and the Group may not be able to recover its investment or achieve financial returns in a commercially desirable time frame, or at all. The Group has received financial allocations and asset injections, in the form of land use rights, cash or other assets, and may receive other financial support from the 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. In addition, such financial support may not be sufficient to cover the Group's investment. The Group cannot make any assurances that the Group may not be involved in public interest projects in the future, and such engagement may not be commercially profitable to some extent. Furthermore, the Group has limited resources, and engagement in such projects may reduce its ability to participate in other profit-generating enterprises. There can be no assurance that the Group's results of operations, business and financial condition will not be adversely affected as a result.

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

Certain business activities of the Group, such as primary land development, municipal road and infrastructure construction, real estate development and financial investment are extensively regulated in the PRC. The operation of these business activities are required to obtain a number of approvals, licences and permits from different governmental authorities. Governmental authorities in China 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 businesses. Failure to obtain the necessary approvals, licences or permits in a timely manner could result in delay or suspension of business operations and operations and a failure to obtain the necessary approvals, licences or permits may subject the relevant entities to regulatory or administrative penalties.

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

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

The Group's development projects require substantial capital expenditures prior to and during the construction period. Years may elapse before the government's buyback of a specific project. The progress and costs for a development project may be materially and adversely affected by many factors, including delays in obtaining necessary licences, permits or approvals from government agencies and authorities; changes in market conditions; delays in, or increased costs of, relocation of existing residents or demolition of existing structures; unforeseen engineering, design, environmental, structural or geographic problems; shortages or increased costs of materials, equipment, contractors and skilled labour; labour disputes; adverse influence caused by other construction projects not undertaken by the Group; construction accidents; natural catastrophes; adverse weather conditions; discovery of historic and cultural relics in the construction site; and changes in government policies or in applicable laws or regulations.

Any of these factors may lead to construction delays or increased costs, may require changes to planned specifications, or may ultimately result in delays of the project. If a development project is not completed on time, other parties in the contract may be entitled to damages for late delivery or, under certain circumstances, may terminate the purchase contract and claim damages. Any such consequences may have a material adverse impact on the Group's reputation, business, prospects, financial condition and results of operations.

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

The Group has substantial indebtedness outstanding. A portion of the Group's indebtedness bears interest that accrues at rates linked to the benchmark lending rate published by the PBOC. Any material fluctuation in the benchmark lending rate may have a material impact on the Group's interest expenses and payables under its bank loans and, in turn, may affect its results of operations. The PRC government from time to time adjusts interest rates as part of its implementation of its economic and monetary policies. Since the outbreak of the global financial crisis in 2008, the PRC government has been lowering the benchmark lending rate to encourage borrowings and boost the recovery of the country's economy. Beginning in 2008, the PBOC decreased the benchmark one-year lending rate five times, from



7.47 per cent. to 5.31 per cent. in December 2008, which remained unchanged until September 2010. Since then, the one-year lending rate was gradually increased to 6.56 per cent. on 7 July 2011 and onwards. In recent years, a perceivable slowdown in the growth of China's economy again caused the PRC government to adopt more liberal monetary policies with the aim of stimulating its economic development. Since 2012, the PBOC has, on a number of occasions reduced the benchmark one-year lending rate to 4.35 per cent. as at 24 October 2015 and onwards. Although the Group's business and financial condition may benefit from the low prevailing interest rates in the market, there is no assurance that this low-interest 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 the profitability of its operations.

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

In Changsha, the Group has historically enjoys a leading position in primary land development business, and is committed in the municipal road and infrastructure construction, property management and services. By adopting a market-based operation model, the Group operates in three main business sectors, including and primary land development, municipal road and infrastructure construction, property management and services and some other businesses to promote the urbanisation and economic development of Xiangjiang New Area and Changsha. The Group has expanded its business rapidly across its three principal business segments, and believes that it will be able to further expand its operational scale and promote its position within the industries in which it operates. Whether the Group could successfully implement this strategy, to some extent, depends on the Group's ability to identify attractive projects, obtain required approvals from relevant regulatory authorities in the PRC, obtain sufficient capital on acceptable terms in a timely manner and maintain close working relationships with various governmental authorities and agencies. The success of negotiations with respect to any particular project cannot be assured. Furthermore, the Group's diversified businesses may, to a certain extent, distract the attention of the management team and its limited resources. There can be no assurance that the Group will be able to successfully implement this strategy or manage or integrate newly acquired operations with its existing operations. Failure to implement the Group's growth strategy could have a material adverse impact on its business, financial condition and results of operations.

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

The Group engages third-party contractors for its primary land development, municipal road and infrastructure construction, property management and services and real estate development. 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 the Group's quality and safety standards. If the performance of any independent contractor is not satisfactory, the Group may need to replace such contractor or take other actions to remedy the situation, which could adversely affect the cost and construction progress of its projects. Further, the completion of its primary land development and infrastructure projects may be delayed, and the Group may incur additional costs in some cases due to a contractor's financial or other difficulties. In addition, the Group may be asked to undertake additional land or infrastructure development projects by the government on short notice, and there may be a shortage of contractors that meet the Group's quality requirements. Contractors may undertake projects for other companies and developers, engage in risky or unsound practices or encounter financial or other difficulties, which may affect their ability to complete their work for the Group on time or within budget. Taking into consideration the large-scale investment, complexity of the project, and the long-term construction period, the Group may also face uncertainties relating to the price of raw materials, cost of land expropriation and demolition, employment expenses and construction safety, which in turn may affect the overall cost, construction period, quality, as well as profitability, of its projects. The project teams may also experience difficulties in project organisation, management control and coordination due to the lack of experienced staff and the complexity of the project management. Any of the above-stated factors could have a material adverse effect on the Group's business, financial condition and results of operations.

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

The Group relies heavily on its quality control systems to ensure the safety and quality of its projects and products. Therefore, it needs to maintain an effective quality control system for the Group's primary land development, infrastructure construction and real estate development. However, the effectiveness of the Group's quality control system depends significantly on a number of factors, including the design of the system, the related training programmes as well as its ability to ensure that the Group's and the subcontractors' employees adhere to its quality control policies and guidelines. There is no assurance that the quality of infrastructure facilities and affordable housing constructed by the Group could always meet the required standards. Any failure or deterioration of the Group's quality control systems could result in defects in its projects or products, which in turn may subject the Group to contractual, product liability and other claims. Any such claims, regardless of whether they are ultimately successful, could cause the Group to incur significant costs, harm its business reputation and result in significant disruption to its operations. Furthermore, if any of such claims were ultimately successful, the Group could be required to pay substantial monetary damages or penalties. Although the Group believes that its quality control systems have functioned properly, there can be no assurance that failures in its quality control systems will not occur in the future, and any such failure could have an adverse effect on the Group's business and operations.

**Failure to comply with environmental responsibilities may adversely affect the Group's operations and profitability.**

The Group is subject to extensive and increasingly stringent environmental protection laws, regulations and decrees that impose fines for violation of such laws, regulations or decrees and provide for the shutdown by governmental authorities of any construction sites not in compliance with governmental orders requiring the cessation or cure of certain activities causing environmental damage. In addition, there is a growing awareness of environmental issues and the Group may sometimes be expected to meet a standard which is higher than the requirement under the prevailing environmental laws and regulations. The Group has adopted environmental protection measures, including conducting environmental assessments on its construction and development projects, hiring construction contractors who have good environmental protection and safety track records and requiring them to comply with the relevant laws and regulations on environmental protection and safety. In addition, there is no assurance that more stringent environmental protection requirements will not be imposed by relevant governmental authorities in the future. If the Group fails to comply with existing or future environmental laws and regulations or fails to meet public expectations in relation to environmental matters, its reputation may be damaged or it may be required to pay penalties or fines or take remedial actions or cease operations, any of which could have a material adverse effect on the Group's business, results of operations and financial position.

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

The Group faces various operational risks in connection with its business, including but not limited to production interruptions caused by operational errors, electricity outages, raw material shortages, equipment failure and other construction risks; operating limitations imposed by environmental or other regulatory requirements; defective quality of the real estate properties it develops; work-related personal injuries; on-site construction 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, collapse of mines or other natural disasters.

To manage operating risks, the Group maintains insurance policies that provide different types of risk coverage, which the Group believes to be consistent with the relevant law and industry and business practice in the PRC or elsewhere. However, claims under the insurance policies may not be honoured fully or on time, or the insurance coverage may not be sufficient to cover costs associated with accidents incurred in the Group's operations due to the above-mentioned operational risks. There are also certain



types of losses (such as from wars, acts of terrorism or acts of God, business interruption, property risks and third party (public) liability) that generally are not insured because they are either uninsurable or not economically insurable. To the extent that the Group or any of its subsidiaries suffers loss or damage that is not covered by insurance or that exceeds the limit of its insurance coverage, the Group's results of operations and cashflow may be materially and adversely affected.

**The Group may subject to risks related to tax law changes.**

On March 23, 2016, the MOFCOM and the SAT issued the Circular of Full Implementation of Business Tax to Value Added Tax Reform (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) (“Circular 36”), which stipulates that, as at 1 May 2016, all payers of business tax, including taxpayers engaged in the construction industry, real estate industry, financing guarantee service and leasing service shall be included in the scope of the pilot program and subject to value added tax (“VAT”) instead of business tax. Circular 36 may have an impact on the Group's business model, because it may increase the tax burden of the Group. The tax rate for provision of construction services and transfer of land use right, shall be 11 per cent. and the tax rate for financing guarantee service shall be six per cent. On April 4, 2018, the MOFCOM and the SAT issued the Circular of Adjusting the Value Added Tax Rate (財政部、國家稅務總局關於調整增值稅稅率的通知) (“Circular 32”), which has been implemented since May 1, 2018, stipulates that the original applied tax rate 11 per cent shall be adjusted to 10 per cent. As Circular 36 and Circular 32 have been issued quite recently, there is uncertainty as to its application, which may result in a decrease in operating income and would therefore adversely affect the business, financial condition and results of operations of the Group.

**The Group depends on the experience and industry expertise of its senior management members, skilled personnel and other 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 intense. 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 revenue and financial conditions.

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

The Group may be exposed to fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties that could subject it to financial losses and sanctions imposed by governmental authorities, which in turn affects its reputation. Different 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; misappropriation of funds; conducting transactions that exceed authorised limits; engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities when marketing or selling products; engaging in

unauthorised or excessive transactions to the detriment of the Group's customers; making or accepting bribery activities; conducting any inside dealing; or otherwise not complying with applicable laws or the Group's internal policies and procedures.

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

**The Group is exposed to litigation risks.**

The Group may, from time to time, be involved in disputes with governmental entities, 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 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 judgment or awards will be effectively enforced. If a judgment 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 cashflow.

**The unaudited interim consolidated financial information of the Issuer as at and for the nine months ended 30 September 2018 described in this Offering Circular has not been audited or reviewed by the Issuer's auditors.**

This Offering Circular includes or describes certain unaudited interim consolidated financial information of the Issuer as at and for the nine months ended 30 September 2018. Such unaudited and unreviewed interim consolidated financial information has not been audited or reviewed by any independent auditor. Consequently, such financial information should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an or review audit by an independent auditor. The unaudited interim consolidated financial information of the Issuer as at and for the nine months ended 30 September 2018 described in this Offering Circular should not be taken as an indication of the expected financial condition or results of operations of the Issuer for the full financial year ended 31 December 2018. Potential investors must exercise caution when using such data to evaluate the Issuer's financial condition and results of operations.

**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.

The Issuer's accounts are in accordance with PRC GAAP which may be different from IFRS. The Issuer's auditors are certified public accountants registered in the PRC. The Issuer's financial statements as at and for the years ended 31 December 2016 and 2017 were prepared in accordance with PRC GAAP. Although PRC GAAP are substantively in line with IFRS, PRC GAAP are, to a certain extent, different from IFRS. See "Summary of Certain Differences Between PRC GAAP and IFRS". There is no guarantee that PRC GAAP will fully converge with IFRS or that there will be no additional differences between the two accounting standards in the future. Potential investors should consult their own professional advisors 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 auditor, Pan-China, is a registered member of the Chinese Institute of Certified Public Accountants which has significant audit experience in the PRC, it might have limited international capital markets experience. Prospective investors should consider these factors prior to making any investment decision.

**The Issuer has 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 is a non-public company established in the PRC and not listed on any stock exchange. There may be less publicly available information about the Issuer than is regularly made available by public companies in certain other countries and territories. However, 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 quality of such 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 in making an investment decision in the Bonds.

**The Issuer's controlling shareholder is able to exercise substantial influence over the Issuer's corporate policies, strategies and operations, and may direct the outcome of its corporate actions.**

As at the date of this Offering Circular, the Issuer is wholly owned and controlled by Changsha SASAC of Hunan (湖南省長沙市人民政府國有資產監督管理委員會). Although the Group does derive a number of significant benefits from its relationship with Changsha SASAC as described elsewhere in this Offering Circular, including benefits derived from Changsha SASAC's restructuring and transfers of assets into the Group's business, the Group does not control the timing or value of these asset transfers and restructurings. The Group cannot assure prospective investors that Changsha SASAC will continue to restructure and/or to transfer assets into the Group's business in a fashion that benefits the Group. In particular, Group may have to bear certain liabilities through mergers or acquisitions and there may be certain liabilities arising from or defaults on indebtedness relating to such asset transfers and/or restructuring by the relevant subsidiaries. As at the date of this Offering Circular, the Group believes that any such potential incidents of default do not affect the Group's business, operation or financial position materially and adversely.

The strategic goals and interests of Changsha SASAC may not always be aligned with the Issuer's strategy and interests and could reduce the level of management flexibility that would otherwise exist with a diversified shareholder base. The interests of the Issuer's controlling shareholder may also differ from those of the holders of the Bonds.

**Revenue from the Group's business is mainly generated from its primary land development and urban road and infrastructure construction businesses.**

The Group mainly engaged in primary land development and urban road and infrastructure construction businesses, which together had contributed to 96.3% of the consolidated revenue of the Issuer for the year ended 31 December 2017. Such businesses are heavily reliant on the PRC government's and the local Changsha Municipal government's policies and initiatives, as well as on the general performance of the PRC economy and the Changsha economy. As the Group's revenue is substantially generated in these areas, should there be an adverse change in the policy direction of the PRC government or the Changsha Municipal government, or an adverse change in the performance of the economy in general, the Group's financial performance, business and results of operations may be materially and adversely affected.

**The Group's business is mainly sourced from Xiangjiang New Area Management Committee.**

In addition, the principal businesses of the Group is derived from Xiangjiang New Area Management Committee. As at the date of this Offering Circular, except for the Meixihu International Town Phase I project where Public-Private Partnership model is deployed by cooperating with private enterprises, the most of the projects the Group has undertaken are on behalf of the Xiangjiang New Area Management Committee, which contributed most of the Group's revenue. There is no assurance that the Xiangjiang New Area Management Committee will continue its support to source businesses to the Group, nor the Group will be able to procure businesses in a timely manner without such support. If the Xiangjiang New Area Management Committee reduces or ceases its support to the Group, the business operation and financial condition of the Group will be materially adversely affected.

**Government auctions of the land developed by the Group may not attract interest or profits from prospective investors.**

For the Group's primary land development business, the respective land use rights are sold through public auction, tender and sale-by-listing by the Changsha Municipal Resources Administrative Bureau (長沙市國土資源管理局) to property developers. The Changsha Municipal Resources Administrative Bureau (長沙市國土資源管理局) determines the timing and scale of the sales after taking into account market conditions and the macro-economic development plan of Changsha City. As the developer of the projects, the Group incurs significant costs and generally make necessary payments in connection with the primary land development projects prior to the sale of the corresponding land use rights. In addition, because the public auctions, tenders and sale-by-listing are driven by market forces, there can be no assurance by the Group that sales of the land use rights to the developed land will attract interest or competitive bids from prospective investors.

There may not be sufficient demand for the land use rights to the Group's primary land development projects and the number of qualified bidders may be limited as the relevant government authorities require certain qualifications before they may participate in land use rights tenders. If the public auctions, tenders or sale-by-listing for the land use rights to the Group's primary land development projects fail to attract interest or competitive bids from prospective investors, the land use rights may be sold at prices below profit expectations. There can be no assurance by the Group that the construction costs of its projects will not exceed expected revenue. In addition, there can be no assurance about the exact timing of the sale of land use rights or the final price at which land use rights are sold. Failure or material delays in the land sale may have a material adverse impact upon the business, financial condition and results of operations of the Group's primary land development business.

**The Group does not decide on the exact timing of the sale of land use rights of the land parcels it develops, and the selling price of such land use rights is subject to market forces through the bidding process.**

The timing of the sale of land use rights is subject to the sales plan and the development strategies set by the relevant municipal government. The final prices at which land use rights are sold are ultimately determined by market forces through the bidding process. There can be no assurance about the exact timing of the sale of land use rights or the final price at which land use rights are sold. Although the Group does not anticipate a suspension of land sales under the current government policies on land supply, any failure or delays in selling land may have a material adverse impact upon the Group's business, financial condition and results of operations.

## **RISKS RELATING TO THE PRC**

**The PRC Government and the Changsha municipal government have no legal obligations under the Bonds.**

The PRC Government (including the Changsha municipal government) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds in lieu of the Issuer. Noteholders shall have no recourse to the PRC Government (including the Changsha municipal government) in respect of any obligation arising out of or in connection with the Bonds in lieu of the Issuer. This position has been reinforced by the MOF Circular and the Joint Circular. Both circulars are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws and regulations involve uncertainties.

Each of the PRC Government (including the Changsha SASAC), as the ultimate shareholder of the Issuer only has limited liability in the form of its equity contribution in the Issuer. As such, the PRC government (including the Changsha SASAC) has any payment obligations under the Bonds. The Bonds are solely to be repaid by the Issuer as an obligor under the relevant transaction documents and as an independent legal person.

Government data such as GDP and local government income included in this Offering Circular is solely for the purpose to show the level of economic development in Changsha and Xiangjiang New Area where substantially all of the Group's business operations and investments are located. Such data should not be construed as representing that the Bondholders have any recourse to the PRC Government for payments under the Bonds.

Investors should base their investment decision on the financial condition of the Issuer and the Group and any perceived credit risk associated with an investment in the Bonds based on the Group's own financial information reflected in its financial statements.

**PRC regulations on the administration of fiscal debts of local governments may adversely impact the Group's financing model, business model and business scope.**

To strengthen the management of financing vehicles of China's local governments and manage the risks relating to the debts incurred by China's local governments, the State Council of the PRC issued the Circular on Issues Concerning Strengthening Management of Financing Platform of Local Government (國務院關於加強地方政府融資平台公司管理有關問題的通知) ("Circular 19") in June 2010. According to Circular 19, local governments at various levels were required to classify the indebtedness incurred by their respective financing vehicles into three categories based on the standards and principles set by the State Council (namely (i) debts incurred relating to projects for public welfare and to be repaid mainly with government funds, (ii) debts incurred relating to projects for public welfare with stable operational income and to be repaid mainly with cash flow generated by the relevant projects, and (iii) debts incurred relating to projects not for public welfare), and to manage or scale down according to the requirements set out in the circulars. Financing vehicles raising debt capital under the second category



(such as the Issuer) are required to maintain sufficient working capital and improve corporate governance in accordance with the PRC Company Law and relevant provisions and, if necessary, are encouraged to diversify its shareholding structure by inviting investment from private enterprises.

In November 2010, the General Office of the PRC National Development and Reform Commission (中華人民共和國國家發展和改革委員會) (“NDRC”) issued the Notice on Further Regulating Issuance of Bonds by Local Government Financing Vehicles (國家發展改革委辦公廳關於進一步規範地方政府投融資平台公司發行債券行為有關問題的通知) (“Circular 2881”). According to Circular 2881, the financing vehicles of a local government shall rely on its internal operating cash flow to finance the payment of more than 70 per cent. of the cash requirement for repaying its corporate bonds issued in the PRC. If revenue from the construction of public interest projects represents more than 30 per cent. of its total revenue, the financing vehicles should provide the authorities that review the application of corporate bonds issuance with information relating to the balance of local government’s debts and other detailed information to demonstrate its repayment ability. In addition, it reinforces the requirements under Circular 19 which prohibit local governments from mortgaging state-owned assets or otherwise creating security interest over public funds to secure the debts of its financing vehicles, directly or indirectly. Should the PRC Government pass further regulations in the future to restrict the resources of funding for local governments or state-owned enterprises, this may have a material adverse effect on the Group’s financial condition or business.

In September 2014, the State Council released the Opinion on Enhancing the Administration of Fiscal Debts of Local Governments (國務院關於加強地方政府性債務管理的意見(國發[2014]43號)) (“Circular 43”). According to Circular 43, financing platform companies, are no longer permitted to function as the financing arm of the local government or incur new government debts and should carry on their operations and financing in accordance with market-oriented principles. Local governments should instead finance the development of public interest projects via the issuance of government bonds.

Public interest projects that are profit generating may be developed either by private investors who are required to invest in accordance with market-oriented principles independently or by a special purpose company jointly set up by the local government and private investors in accordance with the agreed rules. Development of the projects may be financed by bank loans, corporate bonds, project revenue bonds and asset-backed securitization. Furthermore, private investors and special purpose companies shall bear the obligation to repay their debts and the relevant local government shall not be liable for any of the private investors’ or the special purpose companies’ debts. There are also a few cases where certain existing debts of local financing platform companies incurred prior to the release of Circular 43 were classified as non-government debts since the release of Circular 43. However, whether the factual basis for such individual cases are comparable or relevant to other local governments’ financing platform companies are unclear and different local governments’ interpretation and application of Circular 43 may vary from one another. Therefore, the Group’s financing model, business model and business scope may be required to change significantly and going forward, the Issuer’s creditors will only have recourse to the Issuer’s assets (and not those of any local government).

Circular 43 also sets forth the general principles of dealing with existing debts of local financing platform companies. In 2014, the local counterparts of MOF began an audit on the existing debts of the financing vehicles of local governments whereby the existing debts of the financing vehicles reported by the local governments were to be classified into four categories, namely (i) debts that shall be repaid with funds of the local governments, (ii) debts that are guaranteed by the local governments, (iii) debts that may be repaid by the local governments with public funds at its option when the borrowing financing vehicles are not able to repay (the “Third Type of Borrowings”) and (iv) debts that will not be repaid or financed with the funds of the local governments. For the Group’s debts that are classified as the Third Type of Borrowings, the Group would be exposed to the risk of non-performance by the local government to provide financing to the Group when the Group is unable to repay its borrowings that have become due, which is beyond the Group’s control. Failure by the local government to honour

its undertaking to provide sufficient funding for the Group to fulfil its payment obligations may cause the Group to default under the relevant indebtedness which in turn may have a material adverse effect on its overall financial condition and results of operations.

In December 2015, the Ministry of Finance of the PRC promulgated the Opinion on the Quota Management of Local Government Debts (關於對地方政府債務實行限額管理的實施意見)(“Circular 225”). Circular 225 requires local governments to strengthen the quota management of local government debts, set up and improve risk prevention and control mechanisms for local government debts, and deal with the existing local government debts adequately. There is no guarantee that the Changsha Municipal Government is able to maintain stable fiscal income in the future, or maintain sufficient liquidity to pay such debts when they become due. Failure by the local government to honour its undertaking to provide funding for the Group to fulfil its payment obligations will cause the Group to default under the relevant indebtedness and have a material and adverse impact on its overall financial condition and results of operations. See “- The Group’s business, financial condition, results of operations and prospects to a large extent depends upon the level of economic activity in Changsha.” In addition, it is also possible that the Changsha Municipal Government may reclassify such debts as category (iv) above, which will require the Group to use its own cashflow to meet its payment obligations under those borrowings. This will divert the Group’s financial resources and may affect its ordinary business operations and have other negative impacts on its financial condition and results of operations.

Neither Circular 43 nor Circular 225 is applicable to the Bonds and the Changsha Municipal Government has no obligation to repay any amount under the Bonds. In the event the does not fulfil its payment obligations under the Bonds, investors will only be able to claim against the Issuer, and not the Changsha Municipal Government.

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

The PRC government issued the Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知，財金[2018]23號)(the “MOF Circular”), effective on 28 March 2018, which aims to increase the responsibility of the PRC state-owned financial institutions to investigate the financial independence and liquidity level of the local government financing vehicles that they assist in fundraising. On 11 May 2018, the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (國家發展改革委、財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知)(the “Joint Circular”) was released which reiterates the PRC government’s position to isolate the debt of local government financing vehicles from the relevant local government and to control the increase of the local governments’ debt. The PRC government may continue to release new policies or amend existing regulations to control the increase in local government debts in China. There is no assurance that the Group’s financing model and business model will not be materially affected by future changes in the regulatory regime concerning the financing platform companies of local governments.

The local government has no obligation to repay any amount under the Bonds. In the event the Issuer does not fulfil its obligations under the Bonds, investors will only be able to claim against the Issuer, and not the Hunan Xiangjiang New Area government.



**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 and S&P changed China's credit rating outlook to "negative" from "stable", which highlighted the country's surging debt burden and questioned the government's ability to enact reforms. On 24 May 2017, Moody's downgraded China's long-term local currency and foreign currency issuer ratings to A1 from Aa3 and changed the outlook to stable from negative. On 21 September 2017, S&P's rating services downgraded China's credit rating by one notch from AA- to A+. These highlight the country's surging debt burden and questioned the government's ability to enact reforms.

The future performance of China's economy is not only affected by the economic and monetary policies of the PRC Government, but it is also exposed to material changes in global economic and political environments 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 and in March 2017, the United Kingdom formally notified the European Council of its desire to withdraw from the European Union. 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, with respect to 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.**

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

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

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

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

**Investors may experience difficulties in effecting service of legal process and enforcing judgments 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 judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. However, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with many countries, including Japan, the United States and the United Kingdom.

Therefore, it may be difficult for investors to enforce any judgments obtained from foreign courts against the Group, the Issuer, any of their respective directors, supervisors or senior management in the PRC.

**PRC economic, political and social conditions, as well as government policies, could affect the Group's business and prospects.**

Substantially all of the Group's assets are located in the PRC and most of the Group's revenue is sourced from the PRC. Accordingly, the Group's business, financial condition, results of operations and prospects are subject, to a significant degree, to economic, political and legal developments in the PRC. For more than three decades, the PRC Government has implemented economic reform measures to utilise market forces in the development of the PRC economy. In addition, the PRC Government continues to play a significant role in regulating industries and the economy through policy measures. The Group cannot predict whether changes in PRC economic, political or social conditions and in PRC laws, regulations and policies will adversely affect its business, financial condition, results of operations or prospects.

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

The Group's business, financial condition and results of operations may be adversely affected by:

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

Furthermore, the growth of the industries the Group is engaged in depends heavily on economic growth of the PRC. The Group cannot assure that the current growth rate of the PRC will be sustained in the future. From time to time, the PRC Government has implemented certain measures in order to prevent the PRC economy from experiencing excessive inflation. Such governmental measures may cause a decrease in the level of economic activity and have an adverse impact on economic growth in China. If China's economic growth fluctuates, the industries the Group is engaged in may also grow at a slower pace or even decline. Such events could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

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

The Issuer receives substantially all of its revenues in Renminbi, which currently is not a freely convertible currency. A portion of these revenues must be converted into other currencies to allow it to make payments on obligations denominated in currencies other than the Renminbi. However, the PRC

Government may restrict future access to foreign currencies for current account transactions at its discretion. If this were to occur, the Group might not be able to pay dividends to the Bondholders in foreign currencies. On the other hand, foreign exchange transactions under capital account in the PRC continue to be not freely convertible and require the approval of the SAFE. These limitations could affect the Group's ability to obtain foreign currencies through equity financing, or to obtain foreign currencies for capital expenditures.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in China's political and economic conditions. On 21 July 2005, the PRC Government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. Since then, the PRC Government has made, and may in the future make, further adjustments to the exchange rate system. The People's Bank of China ("PBOC") announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against the Renminbi on the following working day. The People's Bank of China surprised markets in August 2015 by thrice devaluing the Renminbi, lowering its daily mid-point trading price significantly against the U.S. dollar. The currency devaluation of the Renminbi was intended to bring it more in line with the market by taking market signals into account. Renminbi depreciated significantly against the U.S. dollar following this August 2015 announcement by the PBOC. In January and February 2016, Renminbi experienced further fluctuations in value against the U.S. dollar. With an increased floating range of the Renminbi's value against foreign currencies and a more market-oriented mechanism for determining the mid-point exchange rates, the Renminbi may further appreciate or depreciate significantly in value against the U.S. dollar or other foreign currencies in the long-term. Any significant appreciation of the Renminbi against the U.S. dollar or other foreign currencies may result in the decrease in the value of the Group's foreign currency-denominated assets. Conversely, any significant depreciation of the Renminbi may adversely affect the value of its businesses and its proceeds from the offering of the Bonds. In addition, there are limited instruments available for the Issuer to reduce its foreign currency risk exposure at reasonable costs. All of these factors could materially and adversely affect the Issuer's businesses, financial conditions and results of operations of the Issuer.

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

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

**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 in the PRC 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 5 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 (國民旅遊休閒綱要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 a labour shortage or a significant increase to labour costs, the Group's business operation costs is 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, forecasts and other statistics in this Offering Circular relating to the PRC, its economy or the relevant industry in which the Group operates have been directly or indirectly derived from official government publications and certain other public industry sources and although the Group believes such facts and statistics are accurate and reliable, it cannot guarantee the quality or the reliability of such source materials. They have not been prepared or independently verified by the Issuer, the Trustee, the Agents or any of its or their respective affiliates, employees, directors, agents, advisers or representatives, and, therefore, the Issuer, the Trustee, the Agents or any of its or their respective affiliates, employees, directors, agents, advisers or representatives makes no representation as to the completeness, accuracy or fairness of such facts or other statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be incomplete, inaccurate or unfair or may not be comparable to statistics produced for other economies or the same or similar industries in other countries and should not be unduly relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, Investors should give consideration as to how much weight or importance they should attach to or place on such facts or other statistics.



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

Most of the Group's revenue is denominated in Renminbi, which is also its 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, particularly U.S. dollars, in order to meet its foreign currency needs, including cash payments on declared dividends, if any, on its Bonds. Currently, the Renminbi still cannot be freely exchanged into any foreign currencies, and exchange and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that, under a certain exchange rate, the Group will have sufficient foreign currencies to meet the Group's demand for foreign currencies. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by the Group do not require prior approval from SAFE, but the Group is required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licences to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by the Group, however, must be approved in advance by SAFE. If the Group fails to obtain approval from SAFE to exchange Renminbi into any foreign currencies for any purposes, the Group's capital expenditure plans, and even the Group's businesses, operating results and financial condition, may be materially and adversely affected.

**RISKS RELATING TO THE BONDS**

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

The NDRC issued the NDRC Circular on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued outside the PRC with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within 10 working days after the completion of the issue of the securities. The NDRC Circular is silent on the legal consequences of non-compliance with the pre-issue registration requirement. The Issuer has obtained the NDRC pre-issuance registration certificate on 23 March 2018. Similarly, there is no clarity on the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Circular. In the worst case scenario, such non-compliance with the post-issue notification requirement under the NDRC circular may result in it being unlawful for the Issuer to perform or comply with any of its obligations under the Bonds and the Bonds might be subject to enforcement as provided in Condition 9 (*Events of Default*) of the Terms and Conditions. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions. The Issuer has undertaken to notify the NDRC of the particulars of the issue of the Bonds within 10 Registration Business Days after the Issue Date.

In accordance with the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) (the "**Foreign Debt Registration Measures**") issued by the SAFE on 28 April 2013, which came into effect on 13 May 2013, the Issuer shall complete foreign debt registration in respect of the issue of the Bonds with the local branches of SAFE in accordance with laws and regulations. According to the Operation Guidelines for Administration of Foreign Debt Registration (外債登記管理操作指引) promulgated together with the Foreign Debt Registration Measures, the Issuer is required to register the Bonds within 15 working days after execution of the Trust Deed and complete such registration in accordance with the Foreign Debt Registration Measures. Before such registration of the Bonds is completed, it is uncertain whether the Bonds are enforceable as a matter of PRC law and it may be difficult for Bondholders to recover amounts due from the Issuer, and the Issuer may not be able to remit the proceeds of the offering into the PRC or remit money out of the PRC in order to meet its payment obligations under the Bonds. Pursuant to article 27(5) of the Foreign Debt Registration Measures, a failure to comply with registration requirements may result in a warning and fine as set forth under article 48 of the Foreign Exchange Administrative Regulations (外匯管理條例) promulgated by the

State Council in 2008. However, pursuant to article 40 of the Foreign Debt Administration Provisional Rules (外債管理暫行辦法) promulgated by MOF, the NDRC and SAFE, a failure by a domestic entity to register a foreign debt contract will render the contract not legally binding and unenforceable. Under the Terms and Conditions, the Issuer has undertaken to use its best endeavours, and it intends, to complete the registration of the Bonds with SAFE within 120 Registration Business Days of the Issue Date. If the Issuer is unable to complete the registration with the local branches of SAFE, the Issuer may have difficulty in remitting funds offshore to service payments in respect of the Bonds and investors may encounter difficulties in enforcing judgments obtained in the Hong Kong courts with respect to the Bonds and the Trust Deed in the PRC. In such circumstances, the value and secondary market price of the Bonds may also be materially and adversely affected.

In addition, on 29 April 2016, the PBOC issued the Circular of the PBOC on Implementing Overall Macro Prudential Management System for Nationwide Cross-border Financing (中國人民銀行關於在全國範圍內實施全口徑跨境融資宏觀審慎管理的通知), which came into effect on 3 May 2016. This circular has since been replaced by the Cross-Border Financing Circular issued by the PBOC on 12 January 2017 and came into effect on the same date. The Issuer is also required to file the issue of the Bonds with SAFE in accordance with the Cross-Border Financing Circular.

According to Notice of People's Bank of China on Matters Concerning Macro-prudential Management on All-round Cross-border Financing (Yin Fa [2017] No.9), the Issuer shall file the information of relating to the Bonds in the capital project information system with the SAFE after the signing of the transaction documents in relation to the Bonds and no later than 3 working days before the withdrawal of money. The Issuer, after filing with the SAFE, may carry out relevant capital settlement for the Issuer according to the withdrawal and repayment arrangement, report the relevant clearing information to the relevant systems of the PBOC and SAFE, and update the information on the transaction in relation to the Bonds (including offshores creditors, maturity, amount, interest rate and net assets). If the audited net assets, the foreign creditors involved in the financing contract, the term of the loan, the amount and interest rates have changed, the Issuer shall file the changes in a timely manner. If the Issuer fails to report or update the cross-border financing information in time, the PBOC and the SAFE may circulate the criticism on the Issuer after verification, order a rectification, and impose sanctions according to the Law of the People's Republic of China on People's Bank of China and the Law of the People's Republic of China on Foreign Exchange Control.

**The Bonds are unsecured obligations.**

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

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

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



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

The Terms and Conditions 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 Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the “**Reciprocal Arrangement**”), judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by the Reciprocal Arrangement. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Bonds will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holder’s ability to initiate a claim outside of Hong Kong will be limited.

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

The Bonds may be purchased as a way to reduce risk or enhance yield with a measured and 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.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) Bonds are legal investments for it, (b) Bonds can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

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 application will be made for the listing of the Bonds on the Hong Kong Stock Exchange, 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. None of the Managers is obligated to make a market in the Bonds, and if the 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 U.S. dollars. An investor who measures investment returns by reference to a currency other than U.S. 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 Issuer has no control. Depreciation of the U.S. dollar against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

**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 Issuer'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 issuers 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 Issuer may be unable to redeem the Bonds upon the due date for redemption thereof.**

On the Maturity Date (as defined in the Terms and Conditions), the Bonds will be redeemed at their principal amount, or following the occurrence of a Relevant Event (as defined in the Terms and Conditions), the Issuer may, at the option of any Bondholder, be required to redeem all, but not some

only, of such Bondholder's Bonds. On the Maturity Date or if any of such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds on the Maturity Date or in any of such events may also be limited by the terms of other debt instruments. The Issuer's failure to repay, repurchase or redeem tendered Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer's other indebtedness.

**The Bonds will be structurally subordinated to the existing and future indebtedness and other liabilities and commitments of the Issuer'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 or 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 will be 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 subsidiaries that the Issuer may in the future acquire or establish.

The Bonds are the Issuer's unsecured obligations and will (i) rank at least equally in right of payment with all the Issuer's other present and future unsecured and unsubordinated obligations; (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, subject in all cases to exceptions as may be provided by applicable legislation. 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 insufficient 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 occur, there can be no assurance that the Issuer's assets and cash flows would be sufficient to repay all of the Issuer's indebtedness in full, 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.

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

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

**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 in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of applicable law.

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.**

In certain circumstances (including without limitation the giving of notice pursuant to Condition 9 (*Events of Default*) of the Terms and Conditions and the taking of actions and/or steps and/or proceedings pursuant to Condition 13 (*Enforcement*) of the Terms and Conditions), the Trustee may (in its sole discretion) request the Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes any action on behalf of Bondholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to any 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 to it, in breach of the terms of the Trust Deed (as defined in the Terms and Conditions) and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such actions directly.

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

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

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-source income derived by non-resident enterprises or individuals respectively, subject to adjustment by applicable treaty. As the Issuer is a PRC resident enterprise for tax purposes, interest paid to non-resident Bondholders may be regarded as PRC-sourced, and therefore be subject to PRC income tax at a rate of 10 per cent. for non-resident enterprise Bondholders and at a rate of 20 per cent. for non-resident individual Bondholders (or a lower treaty rate, if any).

On 23 March 2016, MOF and the State Administration of Taxation issued the Circular of Full Implementation of Replacing Business Tax with Value-Added Tax Reform (Caishui [2016] No. 36) (“**Circular 36**”), which introduced a new value-added tax (“**VAT**”) from 1 May 2016. VAT is applicable where entities or individuals provide services within the PRC. The Issuer will be obligated to withhold VAT of 6 per cent. and certain surcharges (as described below) 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. Pursuant to Interim Regulation of the PRC on City Maintenance and Construction Tax (中華人民共和國城市維護建設稅暫行條例(2011修訂)), Interim Provisions on the Collection of Educational Surcharges (徵收教育費附加的暫行規定(2011修訂)), Notice of the Ministry of Finance on the Relevant Matters regarding Unifying the Policies on Local Education Surcharges (財政部關於統一地方教育附加政策有關問題的通知), Management Measures of Educational Surcharge and Local Educational Surcharge in Hunan Province (湖南省教育費附加和地方教育附加徵收管理辦法), Notice on the Adjustment of Local Educational Surcharge Standards issued by Hunan Provincial Finance Department and Hunan Provincial Taxation Bureau (湖南省財政廳、湖南省地方稅務局關於調整地方教育附加徵收標準的通知) and based on consultation with the local taxation bureau, a city maintenance and construction tax (7 per cent., for a taxpayer whose domicile is in an urban area), an educational surcharge (3 per cent.) and a local educational surcharge (2 per cent.) will be applicable when entities and individuals are obliged to pay VAT (for an aggregate of 12 per cent. on any VAT



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

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

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

The Bonds will be represented by beneficial interests in a Global Certificate. Such Global Certificate will be registered in the name of a nominee for, and deposited with, a common depository for Euroclear and Clearstream (the “**Clearing Systems**”). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Certificates. The Clearing Systems 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 relevant Clearing System for distribution to their account Bondholders.

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.

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

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

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

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

The Issuer may redeem the Bonds at its option, in whole but not in part, at a redemption price equal to their principal amount, together with interest accrued to the date fixed for redemption if, subject to certain conditions, as a result of a change in tax law, the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions), as further described in Condition 6(b) (*Redemption for Taxation Reasons*) of the Terms and Conditions.

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 ratings assigned to the Bonds may be downgraded or withdrawn in the future.**

The Bonds are expected to be assigned a rating of \_\_\_\_\_ by \_\_\_\_\_ and \_\_\_\_\_ by \_\_\_\_\_. The ratings represent only the opinions of the rating agencies and their assessment of the ability of the Issuer to perform their respective obligations under the Bonds, the Trust Deed and the Agency Agreement and credit risks in determining the likelihood that payments will be made when due under the Bonds. Ratings are not recommendations to buy, sell or hold the Bonds and may be subject to revision, qualification, suspension, reduction or withdrawn at any time. The Issuer cannot assure investors that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. Each rating should be evaluated independently of any other rating of the Bonds or other securities of the Issuer (if any). A revision, qualification, suspension or withdrawal at any time of any rating assigned to the Bonds may adversely affect the market price of the Bonds.

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

The Issuer may, from time to time, and without prior consultation of the Bondholders, create and issue further securities having the same terms and conditions as the Bonds in all material respects (or in all material respects save for the issue date, the first payment of interest on them and the timing for complying with the Registration Conditions and the submission of the NDRC Post-issue Filing (see "*Terms and Conditions of the Bonds – Further Issues*") or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

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

The Bonds will carry 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.

**Certain facts and statistics are derived from publications not independently verified by the Group or the Managers.**

Facts and statistics in this Offering Circular relating to global economy and the relevant industry are derived from publicly available sources. While the Issuer has taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by any of the Issuer, the Managers, the Trustee, the Agents or their respective advisers and, therefore, none of them makes any representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, none of the Issuer, the Managers, the Trustee, the Agents or their respective advisers can assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.



## EXCHANGE RATES

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

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

Period	Renminbi per U.S. Dollar Noon Buying Rate <sup>(1)</sup>			
	End	Average <sup>(2)</sup>	High	Low
	<i>(CNY per U.S.\$1.00)</i>			
2009	6.8259	6.8295	6.8470	6.8176
2010	6.6000	6.7603	6.8330	6.6000
2011	6.2939	6.4475	6.6364	6.2939
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	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7350	6.9575	6.4773
2018				
January	6.2841	6.4233	6.5263	6.2841
February	6.3280	6.3183	6.3471	6.2649
March	6.2726	6.3174	6.3565	6.2685
April	6.3325	6.2949	6.3340	6.2655
May	6.4096	6.3701	6.4175	6.3325
June	6.6171	6.4651	6.6235	6.3850
July	6.8038	6.7164	6.8102	6.6123
August	6.8300	6.8453	6.9330	6.8018
September	6.8680	6.8551	6.8880	6.8270
October (through 12 October 2018)	6.9182	6.8878	6.9224	6.8680

*Notes:*

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

## TERMS AND CONDITIONS OF THE BONDS

*The following, subject to modification, are the terms and conditions of the Bonds (as defined below) substantially in the form in which they (other than the text in italics) will be endorsed on the definitive Certificates and referred to in the global certificate.*

The U.S.\$                    per cent. bonds due                    (the “**Bonds**”, which expression, unless the context requires otherwise, includes any further securities issued pursuant to Condition 15 and to be consolidated and forming a single series therewith) of [Hunan Xiangjiang New Area Development Group Co., Ltd] (湖南湘江新區發展集團有限公司)(the “**Issuer**”) are constituted by a trust deed (as amended, restated, replaced and/or supplemented from time to time, the “**Trust Deed**”) dated on or about                    2018 (the “**Issue Date**”) made between the Issuer and The Hongkong and Shanghai Banking Corporation Limited (the “**Trustee**”, which expression shall include its successor(s)) as trustee for the Bondholders (as defined below). The statements in these Conditions (as defined below) include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed and the Agency Agreement.

The issue of the Bonds was authorised by a resolution of the board of directors of the Issuer on 2018 [and shareholders’ resolutions of the Issuer dated                    2018.]

Copies of the Trust Deed and the agency agreement (as amended, restated, replaced and/or supplemented from time to time, the “**Agency Agreement**”) dated on or about                    2018 made between the Issuer, the Trustee, The Hongkong and Shanghai Banking Corporation Limited as principal paying agent (the “**Principal Paying Agent**”), as registrar (the “**Registrar**”) and as transfer agent (the “**Transfer Agent**”) and any other agents appointed thereunder are available for inspection at all reasonable times during normal business hours by the Bondholders at the principal office for the time being of the Trustee, being at the Issue Date at Level 30, HSBC Main Building, 1 Queen’s Road Central, Hong Kong, and at the specified office of the Principal Paying Agent following prior written request and proof of holding satisfactory to the Trustee or, as the case may be, the Principal Paying Agent. References herein to “**Paying Agents**” includes the Principal Paying Agent and any other paying agents appointed from time to time pursuant to the Agency Agreement with respect to the Bonds, and “**Agents**” means the Principal Paying Agent, any other Paying Agents, the Registrar, any Transfer Agent and any other agent or agents appointed from time to time under the Agency Agreement with respect to the Bonds including their respective successors. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those provisions of the Agency Agreement applicable to them.

All capitalised terms that are not defined in these terms and conditions (these “**Conditions**”) will have the meanings given to them in the Trust Deed.

### 1 FORM, SPECIFIED DENOMINATION AND TITLE

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

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

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

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

## 2 STATUS

The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 4(a)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

## 3 TRANSFERS OF BONDS AND ISSUE OF CERTIFICATES

### (a) Register

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

### (b) Transfer

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

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

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

**(c) Delivery of New Certificates**

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

*Except in the limited circumstances described herein (see “Summary of Provisions relating to the Bonds in Global Form”), owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates.*

**(d) Formalities Free of Charge**

Registration of transfer of Bonds and issuance of new Certificates will be effected without charge by or on behalf of the Issuer or any Agent but upon (i) payment (or the giving of such indemnity and/or security and/or pre-funding as the Issuer or any Agent may require) in respect of any taxes, duties or other governmental charges which may be imposed in relation to such transfer; (ii) the Registrar being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the relevant Agent being satisfied that the Regulations (as defined in Condition 3(f) below) concerning transfer of Bonds have been complied with.

**(e) Closed Periods**

No Bondholder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (but excluding) the due date for any payment of principal (or premium) in respect of that Bond; or (ii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)); or (iii) after notice of redemption has been given pursuant to Condition 6(b); or (iv) after any such Bond has been put for redemption pursuant to Condition 6(c).

**(f) Regulations**

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer and registration of Bonds scheduled to the Agency Agreement (the “**Regulations**”). The Regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee or by the Registrar, with the prior written approval of the Trustee. A copy of the current Regulations will be mailed (free of charge to the Holders and at the Issuer’s expense) by the Registrar to any Holder following prior written request and proof of holding to the satisfaction of the Registrar.

## 4 COVENANTS

### (a) Negative Pledge

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

### (b) Undertakings relating to Foreign Debt Registration and applicable PRC laws

The Issuer undertakes that it will (i) within 15 Registration Business Days after the Issue Date, register or cause to be registered with the local counterpart of SAFE the Bonds pursuant to the Administrative Measures for Foreign Debt Registration and its operating guidelines issued by SAFE, effective as of 13 May 2013 (the “**Foreign Debt Registration**”), (ii) use its best endeavours to complete the Foreign Debt Registration and obtain a registration record from SAFE on or before the Registration Deadline, and (iii) comply with all applicable PRC laws and regulations in relation to the Bonds.

### (c) Notification to NDRC

The Issuer undertakes that it will (i) within the prescribed timeframe after the Issue Date file or cause to be filed with the NDRC the requisite information and documents in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and effective as of 14 September 2015 and any implementation rules and guidelines issued by the NDRC from time to time (the “**NDRC Post-issue Filing**”) and (ii) comply with all applicable PRC laws, rules and regulations in connection with the Bonds (including, but not limited to, any rules issued by the NDRC from time to time).

### (d) Notification of Completion of the Foreign Debt Registration and the NDRC Post-Issue Filing

The Issuer shall before the Registration Deadline and within twenty Registration 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 the Foreign Debt Registration), provide the Trustee with (i) a certificate (substantially in the form scheduled to the Trust Deed) in English signed by an Authorised Signatory of the Issuer confirming (A) the submission of the NDRC Post-issue Filing and the completion of the Foreign Debt Registration and (B) no Relevant Event, Event of Default or Potential Event of Default has occurred; and (ii) copies of the relevant documents evidencing the NDRC Post-issue Filing (if any) and the Foreign Debt Registration, each certified in English by an Authorised Signatory of the Issuer as a true and complete copy of the original (the items specified in (i) and (ii) together, the “**Registration Documents**”). In addition, the Issuer shall, within five Registration Business Days after the documents comprising the Registration Documents are delivered to the Trustee, give notice to the Bondholders (in accordance with Condition 16) confirming the completion of the NDRC Post-issue Filing and the Foreign Debt Registration.

The Trustee shall have no obligation to monitor and/or ensure or assist with the completion of the NDRC Post-issue Filing and the Foreign Debt Registration on or before the deadline referred above or to verify the accuracy, validity and/or genuineness of, or to translate or arrange for translation into English of, any documents in relation to or in connection with the NDRC Post-issue Filing and the Foreign Debt Registration, or to notify the Bondholders of the completion of the NDRC Post-issue Filing or the Foreign Debt Registration, and shall not be liable to the Bondholders or any other person for not doing so.

**(e) Financial Information**

So long as any Bond remains outstanding (as defined in the Trust Deed) the Issuer will furnish the Trustee with (A) a Compliance Certificate (on which the Trustee may rely conclusively as to such compliance) and a copy of the relevant Audited Financial Reports within 120 days of the end of each Relevant Period prepared in accordance with the Accounting Standards for Business Enterprises in China (“**PRC GAAP**”) (audited by a nationally or internationally recognised firm of independent accountants) and if such statements shall be in the Chinese language, together with an English translation of the same translated by (aa) a nationally or internationally recognised firm of independent accountants (which may be the auditor of the Issuer on the Issue Date) or (bb) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants (which may be the auditor of the Issuer on the Issue Date), together with a certificate in English signed by an Authorised Signatory of the Issuer certifying that such translation is complete and accurate; and (B) a copy of the Unaudited Financial Reports within 90 days of the end of each Relevant Period prepared on a basis consistent with the Audited Financial Reports and if such statements shall be in the Chinese language, together with an English translation of the same and translated by (aa) a nationally or internationally recognised firm of independent accountants (which may also be the auditor of the Issuer on the Issue Date) or (bb) a professional translation service provider and checked and confirmed by a nationally or internationally recognised firm of independent accountants (which may also be the auditor of the Issuer on the Issue Date), together with a certificate in English signed by an Authorised Signatory of the Issuer certifying that such translation is complete and accurate.

**(f) Ratings**

For so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution of the Bondholders, the Issuer will use its all reasonable endeavours to maintain a rating on the Bonds by at least one Rating Agency.

**(g) Definitions:**

In these Conditions:

“**Audited Financial Reports**” means, for a Relevant Period, the annual audited consolidated balance sheet, income statement, statement of cash flows and statement of changes in owners’ equity of the Issuer 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 in English of the Issuer substantially in the form scheduled to the Trust Deed signed by an Authorised Signatory of the Issuer that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer as at a date (the “**Certification Date**”) not more than five days before the date of the certificate:

- (i) no Event of Default (as defined in Condition 9) or Potential 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
- (ii) the Issuer has complied with all its covenants and obligations under the Trust Deed and the Bonds;

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

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

“**Potential Event of Default**” means an event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 9 become an Event of Default;

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

“**Rating Agency**” means (i) Fitch Ratings, Inc. and its successors; (ii) S&P Global Ratings and its successors; (iii) Moody’s Investors Service, Inc., a subsidiary of Moody’s Corporation, and its successors or (iv) any other reputable credit rating agency of international standing;

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

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

“**Relevant Indebtedness**” means any indebtedness incurred outside the PRC which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

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

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

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

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

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

## 5 INTEREST

The Bonds bear interest on their outstanding principal amount from and including 2018 (the “**Issue Date**”) at the rate of per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.\$ per Calculation Amount (as defined below) on and in each year (each an “**Interest Payment Date**”) commencing on 2019.

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

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

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

## 6 REDEMPTION AND PURCHASE

### (a) Final Redemption

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on (the “**Maturity Date**”). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

### (b) Redemption for Taxation Reasons

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice (a “**Tax Redemption Notice**”) to the Bondholders in accordance with Condition 16 (which shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount (together with any interest accrued to (but excluding) the date fixed for redemption) if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 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 but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 2018, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due.

Prior to the giving of any Tax Redemption Notice pursuant to this Condition 6(b), the Issuer shall deliver to the Trustee (A) a certificate in English signed by any Authorised Signatory of the Issuer stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer taking reasonable measures available to it, and (B) an opinion, addressed to and in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendments and opinion. The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6(b), in which event the same shall be conclusive and binding on the Bondholders.

### (c) Redemption for Relevant Events

Following the occurrence of a Relevant Event, the Holder of any Bond will have the right (the “**Relevant Event Put Right**”), at such Holder’s option, to require the Issuer to redeem all, but not some only, of such Holder’s Bonds on the Put Settlement Date (as defined below in this Condition 6(c)) at 101 per cent. (in the case of a redemption for a Change of Control Event) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together in each case with accrued interest up to (but excluding) the Put Settlement Date. To exercise such right, the Holder of the relevant Bond must deposit at the specified office of the Principal Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a “**Put Exercise Notice**”), together with the Certificate evidencing the Bonds to be redeemed, by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16.

The “**Put Settlement Date**” shall be the fourteenth day (in the case of a redemption for a Change of Control Event) or the fifth day (in the case of a redemption for a No Registration Event) after the expiry of such period of 30 days as referred to above.

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

Not later than 14 days (in the case of a Change of Control Event) or five days (in the case of a No Registration Event) following the first day on which the Issuer becomes aware of the occurrence of a Relevant Event, the Issuer shall procure that notice regarding such Relevant Event shall be delivered to the Trustee and the Principal Paying Agent in writing and to the Holders (in accordance with Condition 16) stating:

- (i) the Put Settlement Date;
- (ii) the date of the Relevant Event and, briefly, the events causing, as applicable, the Change of Control Event or No Registration Event;
- (iii) the date by which the Put Exercise Notice must be given;
- (iv) the redemption amount and the method by which such amount will be paid;
- (v) the names and addresses of all Paying Agents;
- (vi) the procedures that Holders must follow and the requirements that Holders must satisfy in order to exercise the Relevant Event Put Right; and
- (vii) that a Put Exercise Notice, once validly given, may not be withdrawn.

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur and none of them shall have any obligation or duty to verify the accuracy, content, completeness, validity and/or genuineness of any documents in relation to or connection with the Registration Conditions, and may rely conclusively on any such document, and none of them shall be responsible or liable to Holders, the Issuer or any other person for any loss or liability arising from not doing so.

For the purpose of these Conditions:

- (A) a “**Change of Control Event**” occurs when:
  - (i) Changsha SASAC and any other Person directly or indirectly Controlled by the Changsha City Government or the government of the PRC, together or singly ceases to directly or indirectly hold or own at least 100 per cent. of the issued share capital of the Issuer; or
  - (ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the Issuer’s assets to any other Person or Persons, except where such Person(s) (in the case of asset sale or transfer) or the surviving entity (in case of consolidation or merger) is/are, directly or indirectly, Controlled by Changsha SASAC, Changsha City Government or the government of the PRC, together or singly;
- (B) “**Changsha SASAC**” means the State-owned Assets Supervision and Administration Commission of the Changsha Provincial People’s Government or its successors;

- (C) “**Control**” means (where applicable) (i) the ownership, acquisition or control of 100 per cent. of the voting rights of the issued share capital of the relevant Person or (ii) the right to appoint and/or remove a majority of the members of the relevant 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; the term “**Controlled**” has meanings correlative to the foregoing;
- (D) a “**No Registration Event**” occurs when the Registration Conditions are not satisfied on or before the Registration Deadline;
- (E) a “**Person**” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Issuer’s board of directors or any other governing board and does not include the Issuer’s wholly-owned direct or indirect Subsidiaries;
- (F) “**Registration Conditions**” means the receipt by the Trustee of the Registration Documents relating to the Foreign Debt Registration as set forth in Condition 4(d); and
- (G) a “**Relevant Event**” will be deemed to occur if:
  - (i) there is a No Registration Event; or
  - (ii) there is a Change of Control Event.

**(d) Purchase**

The Issuer or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the Holder to vote at any meetings of the Holders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the Holders and for the purposes of Condition 9, Condition 12(a) and Condition 13.

**(e) Notice of redemption**

All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date, in such place and in such manner as specified in such notice in accordance with this Condition 6. If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer pursuant to Condition 6(b) and any Put Exercise Notice given by a Bondholder pursuant to Condition 6(c)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail. Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any notice of redemption, and none of them shall be responsible or liable to Holders, the Issuer or any other person for any loss or liability arising from not doing so.

**(f) Cancellation**

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

## 7 PAYMENTS

### (a) Method of Payment:

- (i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 7(a)(ii) below.
- (ii) Interest on each Bond shall be paid on the due date to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Bond shall be made in U.S. dollars by transfer to an account in U.S. dollars maintained by the payee with a bank.
- (iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

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

- (b) **Payments subject to Fiscal Laws:** Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.
- (c) **Payment Initiation:** Where payment is to be made by transfer to an account in U.S. dollars, payment instructions (for value on the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated or, in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Paying Agent, on the first Payment Business Day on which the Principal Paying Agent is open for business and on or following which the relevant Certificate is surrendered.
- (d) **Appointment of Agents:** The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar, any Transfer Agent or any of the other Agents and to appoint additional or other Agents,



provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar with a specified office outside the United Kingdom, (iii) a Transfer Agent and (iv) such other agents as may be required by any other stock exchange on which the Bonds may be listed, in each case, as approved in writing by the Trustee.

Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer to the Bondholders in accordance with Condition 16.

- (e) **Delay in Payment:** Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day, if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).
- (f) **Non-Payment Business Days:** If any date for payment in respect of any Bond is not a Payment Business Day, the Holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, “**Payment Business Day**” means a day (other than a Saturday, a Sunday or a public holiday) on which banks and foreign exchange markets are generally open for business in (i) New York City, (ii) the place in which the specified office of the Principal Paying Agent is located, (iii) in the case of payment against presentation or surrender of a Certificate to a Paying Agent other than the Principal Paying Agent, the place in which the specified office of such Paying Agent is located, and (iv) if applicable, the place where payment is to be made by transfer to an account maintained with a bank in U.S. dollars.

## 8 TAXATION

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

Where such withholding or deduction is made by the Issuer by or within the PRC tax up to and including the aggregate rate applicable on 2018 (the “**Applicable Rate**”), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

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

- (i) **Other connection:** to a Holder (or to a third party on behalf of a Holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the PRC other than the mere holding of the Bond; or

- (ii) **Surrender more than 30 days after the Relevant Date:** in respect of which the Certificate representing it is presented or surrendered (where presentation or surrender is required) for payment more than 30 days after the Relevant Date except to the extent that the Holder of it would have been entitled to such Additional Tax Amounts on presenting or, as the case may be, surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days.

References in these Conditions to principal, premium (if any) and interest shall be deemed also to refer to any Additional Tax Amounts which may be payable under this Condition 8 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed and the Bonds.

“**Relevant Date**” in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Bondholders that, upon further presentation or, as the case may be, surrender of the Certificate representing such Bond being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation or surrender.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Bondholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

## 9 EVENTS OF DEFAULT

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

An “**Event of Default**” occurs if:

- (a) **Non-Payment:** there has been a failure to pay (i) the principal or premium (if any) of any of the Bonds when due or (ii) interest on any of the Bonds when due and the failure continues for 7 days; or
- (b) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations under the Bonds or the Trust Deed (other than any non-performance or non-compliance which gives rise to a right to redeem pursuant to Condition 6(c)) and such default (i) is, in the opinion of the Trustee, incapable of remedy or, (ii) if such default is, in the opinion of the Trustee, capable of remedy, such default is not remedied within 30 days after the Trustee has given written notice thereof to the Issuer; or
- (c) **Cross-Acceleration:** (i) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like

(howsoever described) or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred in aggregate equals or exceeds U.S.\$40,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 9(c) operates); or

- (d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or any material part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries and is not discharged or stayed within 30 days; or
- (e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Principal Subsidiaries on the whole or any material part of the assets of the Issuer or the relevant Subsidiary becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged or stayed within 30 days; or
- (f) **Insolvency:** the Issuer or any of its Principal Subsidiaries is (or is, or could be, deemed by law or a court of competent jurisdiction to be) insolvent or bankrupt, or unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any material part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Issuer or any of its Principal Subsidiaries; or
- (g) **Winding-up:** an order is made by a court of competent jurisdiction or an effective resolution is passed for the winding-up or dissolution of the Issuer or any of its Principal Subsidiaries (other than a solvent and voluntary winding-up of a Principal Subsidiary), or the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Trustee acting on an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Subsidiary, whereby the undertaking and assets of such Subsidiary are transferred to or otherwise vested in the Issuer or any of its Principal Subsidiaries; or (iii) a disposal of a Principal Subsidiary on an arm's length basis where the assets (whether in cash or otherwise) resulting from such disposal is vested in the Issuer or another Subsidiary; or
- (h) **Nationalisation:** (i) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the undertaking, assets and revenues of the Issuer or any of its Subsidiaries or (ii) the Issuer or any of its Subsidiaries is prevented by any such person from exercising normal control over all or a material part of its undertaking, assets and revenues; or
- (i) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its

obligations under the Bonds and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds and the Trust Deed admissible in evidence in the courts of Hong Kong and the PRC is not taken, fulfilled or done;

- (j) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds and/or the Trust Deed; or
- (k) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Conditions 9(d) to 9(g) (both inclusive).

For the purpose of this Condition 9, “**Principal Subsidiary**” at any time shall mean one of the Issuer’s Subsidiaries:

- (i) as to which one or more of the following conditions is/are satisfied:
  - (a) its revenue or (in the case of one of the Issuer’s Subsidiaries which has one or more Subsidiaries) consolidated revenue is at least five per cent. of the Issuer’s consolidated revenue;
  - (b) its net profit or (in the case of one of the Issuer’s Subsidiaries which has one or more Subsidiaries) consolidated net profit (in each case before taxation and exceptional items) is at least five per cent. of the Issuer’s consolidated net profit (before taxation and exceptional items); or
  - (c) its total assets or (in the case of one of the Issuer’s Subsidiaries which has one or more Subsidiaries) consolidated net assets (in each case after deducting minority interests in Subsidiaries) are at least five per cent. of the Issuer’s consolidated total assets (after deducting minority interests in Subsidiaries);

all as calculated by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of the Issuer’s Subsidiary and the Issuer’s then latest consolidated financial statements, *provided that*: (1) in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest consolidated audited financial statements of the Issuer relate, the reference to the then latest audited financial statements of the Issuer and its Subsidiaries for the purposes of the calculation above shall, until audited financial statements for the financial period in which the acquisition is made are published, be deemed to be a reference to the then latest audited financial statements of the Issuer and its Subsidiaries adjusted to consolidate the latest audited financial statements (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such financial statements; (2) if, in the case of a Subsidiary of the Issuer which itself has one or more Subsidiaries, no consolidated financial statements are prepared and audited, its consolidated revenue, net assets and net profits shall be determined on the basis of pro forma consolidated financial statements of the relevant Subsidiary and its Subsidiaries prepared for this purpose and opined on by its auditors; or (3) if the financial statements of a Subsidiary of the Issuer (not being a Subsidiary referred to in (1) above) are not consolidated with those of the Issuer then the determination of whether or not the Subsidiary is a Principal Subsidiary shall, if the Issuer requires, be based on a pro forma consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements of the Issuer and its Subsidiaries; or

- (ii) to which is transferred all or substantially all of the assets of a Subsidiary of the Issuer which immediately prior to the transfer was a Principal Subsidiary, provided that, with effect from such transfer, the Subsidiary which so transfers its assets and undertakings

shall cease to be a Principal Subsidiary (but without prejudice to paragraph (i) above) and the Issuer's Subsidiary to which the assets are so transferred shall become a Principal Subsidiary

A certificate of the Issuer's auditors as to whether or not a Subsidiary of the Issuer is a Principal Subsidiary shall be conclusive and binding on all parties in the absence of manifest error.

## **10 PRESCRIPTION**

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

## **11 REPLACEMENT OF CERTIFICATES**

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

## **12 MEETINGS OF BONDHOLDERS, MODIFICATION, WAIVER, AUTHORISATION, DETERMINATION AND ENTITLEMENT OF TRUSTEE**

### **(a) Meetings of Holders**

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any of the provisions of the Trust Deed. Such a meeting may be convened by the Trustee or the Issuer and shall be convened by the Trustee upon request in writing from the Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented unless the business of such meeting includes the modification or abrogation of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed, including consideration of proposals, *inter alia*, (i) to modify the Maturity Date of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds or (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 75 per cent., or at any adjourned such meeting not less than 25 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders, whether or not they were present at the meeting at which such resolution was passed.

The Trust Deed provides that a resolution in writing signed by or on behalf of the Bondholders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders. A resolution passed in writing will be binding on all Bondholders whether or not they participated in such written resolution.

**(b) Modification, Waiver, Authorisation and Determination**

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, or any failure to comply with any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement which in its opinion is not materially prejudicial to the interest of the Bondholders, or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of applicable law. Any such modification, waiver or authorisation shall be binding on the Bondholders and, unless the Trustee agrees otherwise, such modification, waiver or authorisation shall be notified to the Bondholders by the Issuer as soon as practicable thereafter in accordance with Condition 16.

**(c) Entitlement of the Trustee**

In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 12), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from the Issuer or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

**13 ENFORCEMENT**

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

**14 INDEMNIFICATION OF THE TRUSTEE**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility including without limitation provisions relieving it from taking proceedings to enforce payment or taking other actions unless first indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and/or any entity related (directly or indirectly) to the Issuer without accounting for any profit.

None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer or any other person for any action taken by the Trustee or such Agent in accordance with the instructions, direction or request of the Bondholders. The Trustee shall be entitled to rely on any instruction, direction,



request or resolution of Bondholders given by Bondholders holding the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed.

None of the Trustee or any of the Agents shall have any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions, or to ascertain whether an Event of Default or a Potential Event of Default or a Relevant Event or any event which could lead to the occurrence of any Relevant Event has occurred, and shall not be liable to the Bondholders or any other person for not doing so.

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

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

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer or any other person appointed by the Issuer in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed.

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

## **15 FURTHER ISSUES**

The Issuer is at liberty from time to time without the consent of the Bondholders to create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects save for the issue date, the first payment of interest on them and the timing for complying with the Registration Conditions, the filing and completion of the Foreign Debt Registration and the submission of the NDRC Post-issue Filing) and so that the same shall be consolidated and form a single series with the outstanding Bonds. Any further securities to be consolidated and form a single series with the outstanding Bonds shall be constituted by a deed supplemental to the Trust Deed.

## 16 NOTICES

All notices to the Holders will be valid if (i) mailed to them by uninsured mail at their respective addresses in the Register and (ii) published in a leading newspaper having general circulation in Asia. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any notice shall be deemed to have been given, on the date of such publication or, if published more than once, on the first date on which publication is made.

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

## 17 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

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

## 18 GOVERNING LAW AND JURISDICTION

### (a) Governing Law

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

### (b) Jurisdiction

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

### (c) Agent for Service of Process

The Issuer has irrevocably appointed in the Trust Deed an agent in Hong Kong to receive service of process in any Proceedings in Hong Kong based on any of the Bonds.

### (d) Waiver of Immunity

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

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

*The Global Certificate contains provisions which apply to the Bonds 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 paragraphs 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 depository on behalf of Euroclear and Clearstream.

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

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.

Individual definitive Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate. Such exchange will be effected in accordance with the provisions of the Trust Deed, the Agency Agreement and the regulations concerning the transfer and registration of the Bonds scheduled thereto and, in particular, shall be effected without charge to any holder of the Bonds or the Trustee, but against such indemnity and/or security as the Registrar or the relevant Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

The Issuer will at its own expense 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 which 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:

### **Payment**

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

### **Calculation of Interest**

So long as the Bonds are represented by the Global Certificate and such Global Certificate is held on behalf of a clearing system, the Issuer has promised, *inter alia*, to pay interest in respect of such Bonds from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Terms and Conditions, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by such Global Certificate, together with such other sums and additional amounts (if any) as may be payable under the Terms and Conditions, in accordance with the Terms and Conditions.

### **Notices**

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

### **Meetings**

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

### **Bondholder's Redemption**

The Bondholder's redemption option in Condition 6(c) (*Redemption for Relevant Events*) of the Terms and Conditions may be exercised by the holder of the Global Certificate giving notice to the Principal Paying Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Terms and Conditions, in accordance with the rules and procedures of Euroclear and Clearstream or any Alternative Clearing System.

### **Issuer's Redemption**

The option of the Issuer provided for in Condition 6(b) (*Redemption for Taxation Reasons*) of the Terms and Conditions shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the Terms and Conditions.

### **Transfers**

Transfers of beneficial 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.

### **Cancellation**

Cancellation of any Bond represented by the Global Certificate will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders and the Global Certificate on its presentation to or to the order of the Registrar for annotation (for information only) as set out in Schedule A to the Global Certificate.

**Trustee's Powers**

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

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

## **USE OF PROCEEDS**

The Issuer estimates that the total net proceeds from the offering of the Bonds, after deducting commissions and other estimated expenses payable in connection with the offering of the Bonds, will be approximately U.S.\$ . The net proceeds will be used for the refinancing of existing indebtedness and for general working capital and investment activities of the Group.



## CAPITALISATION AND INDEBTEDNESS

### Capitalisation and Indebtedness of the Issuer

The following table sets forth the consolidated total indebtedness (both current and non-current portions), total equity and total capitalisation of the Issuer as at 31 December 2017 on an (i) actual basis and (ii) on an adjusted basis to give effect to the Bonds to be issued. The summary consolidated financial information below should be read in conjunction with the Issuer's consolidated financial statements and the notes to those statements included elsewhere in this Offering Circular.

	Actual		As adjusted	
	(RMB in millions) (audited)	(U.S.\$ in millions) <sup>(1)</sup> (unaudited)	(RMB in millions) (unaudited)	(U.S.\$ in millions) <sup>(1)</sup> (unaudited)
<b>Current indebtedness:</b>				
Non-current liabilities due within one year excluding long-term payables due within one year <sup>(2)</sup> . . . . .	390.4	60.0	390.4	60.0
Short-term borrowings <sup>(3)</sup> . . . . .	100.0	15.4	100.0	15.4
<b>Total current indebtedness</b> . . . . .	<b>490.4</b>	<b>75.4</b>	<b>490.4</b>	<b>75.4</b>
<b>Non-current indebtedness:</b>				
Long-term borrowings <sup>(4)</sup> . . . . .	7,606.3	1,169.1	7,606.3	1,169.1
Bonds payable <sup>(5)</sup> . . . . .	4,180.0	642.5	4,180.0	642.5
Bonds to be issued . . . . .	—	—	—	—
<b>Total non-current indebtedness</b> . . . . .	<b>11,786.3</b>	<b>1,811.5</b>	<b>23,930.7</b>	<b>3,678.1</b>
<b>Total equity</b> . . . . .	<b>23,930.7</b>	<b>3,678.1</b>	<b>23,930.7</b>	<b>3,678.1</b>
<b>Total capitalisation<sup>(6)</sup></b> . . . . .	<b>36,207.4</b>	<b>5,565.0</b>	<b>36,207.4</b>	<b>5,565.0</b>

*Notes:*

- (1) For convenience only, all translations from Renminbi into U.S. dollars are made at the rate of RMB6.5063 to U.S.\$1.00, based on the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 29 December 2017.
- (2) Since 31 December 2017, the Group's non-current liabilities due within one year excluding long-term payables due within one year has increased mainly due to the increase of the long-term borrowings and the bonds payable, part of which were reclassified into the current indebtedness.
- (3) Since 31 December 2017, the Group's short-term borrowings has increased mainly due to the increased operating loans from banks among the Group's daily business operations.
- (4) Since 31 December 2017, the Group's long-term borrowings has increased mainly due to the increased operating loans from banks among the Group's daily business operations.
- (5) Since 31 December 2017, the Group's bonds payable has increased mainly due to the Group's issuance of the notes of RMB1.0 billion with an interest rate of 6.5 per cent per annum due 2023 in January 2018.
- (6) Total capitalisation represents the sum of total current and non-current indebtedness and total equity.

Except as otherwise disclosed above, there has been no material adverse change in the consolidated capitalisation and indebtedness of the Issuer since 31 December 2017.

## DESCRIPTION OF THE GROUP

### OVERVIEW

The Issuer is a company with a strategical positioning in Xiangjiang New Area (湘江新區). The Issuer, since its incorporation in 2016, has played an important role in the development of the Xiangjiang New Area in various aspects. The Issuer holds an absolute advantage over its competitors in this region over such as primary land development, municipal road and infrastructure construction, property management and services and other ancillary businesses. The Group is an important platform for infrastructure construction, urban area development, modern industrial system construction, ecological environment development and treatment and construction of resource-saving, environment-friendly society in Xiangjiang New Area. The Group conducts its businesses mainly through equity investment, such as holding minority or controlling interests, in other entities. Recently, with continued innovation and expansion, the Group has become an essential integrated services provider within the Xiangjiang New Area.

The Issuer was established in April 2016 as a vehicle for governmental investment in development. As at the date of this Offering Circular, the Group is ultimately owned by Changsha SASAC of Hunan (湖南省長沙市人民政府國有資產監督管理委員會) with a registered capital of RMB30.0 billion. It falls within the purview of the Xiangjiang New Area Management Committee (湖南湘江新區管理委員會) through its business instructions. The Group is engaged in promoting the development and competitiveness of the Xiangjiang New Area. The Xiangjiang New Area Management Committee is an agency entity of the Changsha Municipal Government and manages general affairs of the Xiangjiang New Area. To support the growth of the Group's business and expansion, the Xiangjiang New Area Management Committee provides ongoing policy and financial support to the Group.

As the most important land development body and the key infrastructure construction body in Xiangjiang New Area, the Group's main three sources of revenue are its primary land development, municipal road and infrastructure construction, and property management and services within Xiangjiang New Area. The Group also conducts some other ancillary businesses such as real estate development and private equity investment.

As at 31 December 2015, 2016 and 2017, the Group's total assets amounted to approximately RMB44.7 billion, RMB47.5 billion and RMB55.4 billion, respectively. For the year ended 31 December 2015, 2016 and 2017, the Group's total operating income amounted to approximately RMB2.4 billion, RMB2.9 billion and RMB2.2 billion, respectively. During the same years, the Group's net profit amounted to approximately RMB258.6 million, RMB306.8 million and RMB282.6 million, respectively.

### Primary land development

The Group has been authorized to carry out the work of primary land development by the Xiangjiang New Area Management Committee. The activities relating to primary land development are largely carried out by the Group itself through its subsidiaries such as Meixihu Investment (Changsha) Co., Ltd. (梅溪湖投資(長沙)有限公司), Hunan Xiangjiang New Area Investment Group Co., Ltd. (湖南湘江新區投資集團有限公司) and Changsha Yuelu Mountain National University Science and Technology City Construction Investment Co., Ltd. (長沙岳麓山國家大學科技城建設投資有限公司), and such activities are facilitated by the land planning and development policies implemented within the Xiangjiang New Area.

After the Group obtains the land development quota from the Changsha Municipal Government, the Group will, solely or jointly with other third parties, finance and conduct the construction work of land levelling and connection of utility systems and arrange for the installation of municipal infrastructure (such as roads, water supply, drainage, electricity and telecommunications) so as to prepare the land for sale to secondary developers by the local government. The primary land development business line is

the Group's largest business line in terms of operating income. The Group generated operating income of RMB1,996.3 million through its primary land development business line for the year ended 31 December 2017, representing approximately 91.2% of its total operating income for the period.

### Municipal road and infrastructure construction

The Group is the most important entity appointed by the Xiangjiang New Area Management Committee to carry out municipal road and infrastructure construction projects in the Xiangjiang New Area. Leveraging on its experience and expertise in the municipal road and infrastructure industry, the Group undertakes a wide range of municipal road and infrastructure construction projects. The municipal road and infrastructure construction business line is the Group's second largest business line in terms of operating income. For the year ended 31 December 2017, operating income generated from the Group's municipal road and infrastructure construction segment was approximately RMB112.1 million, representing 5.1% of the Group's total operating income for the period.

### Property management and services

The Group is the primary operator of municipal infrastructure in the Xiangjiang New Area. The Group is responsible for the management and maintenance of some municipal infrastructures such as -roads and tourism entertainment facilities. The Group also manages and maintain such as through leasing more than 120 thousand sq. metres of properties, and 965.3 thousand sq. metres of commercial land resources. The operating income contribution of the Group's property management and services segment is approximately RMB80.0 million for the year ended 31 December 2017, representing approximately 3.7% of the Group's total operating income for the period.

### Other ancillary businesses

In addition to the Group's three major business lines, the Group is also engaged various other businesses through its subsidiaries and affiliate to complement its principal businesses, mainly including real estate development, equity investment, cultural tourism and environmental treatment.

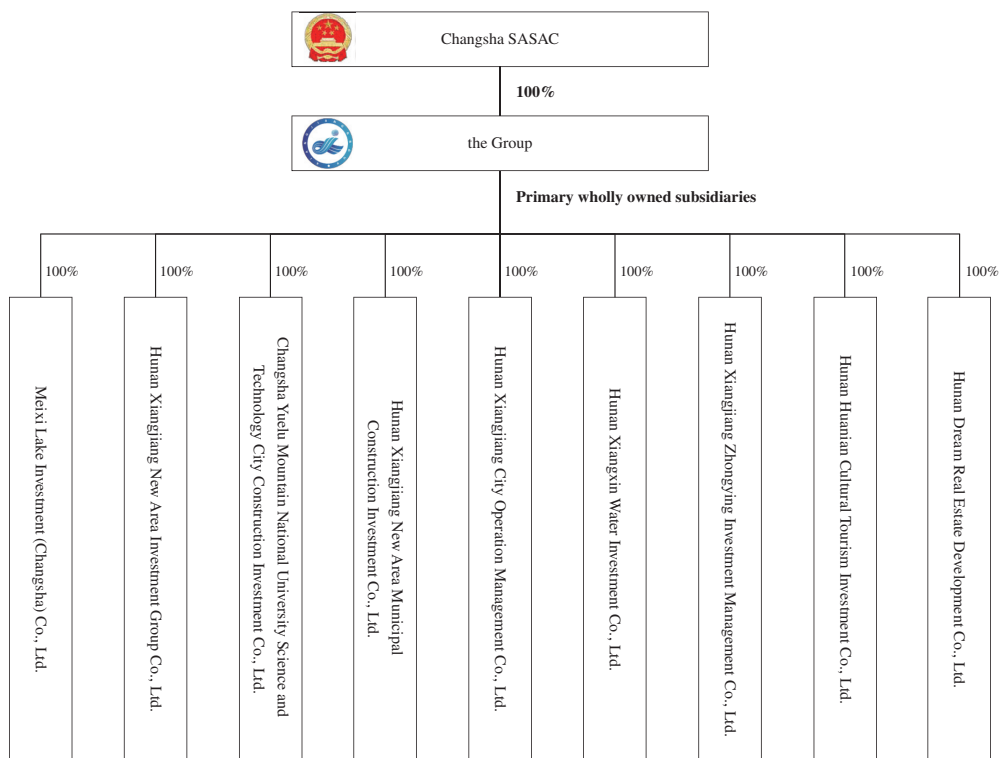
The table below sets forth the Group's operating income by business lines for the years ended 31 December 2015, 2016 and 2017:

Principal business lines	For the year ended 31 December					
	2015		2016		2017	
	Amount	Per cent. of total	Amount	Per cent. of total	Amount	Per cent. of total
	<i>(RMB in millions, except for percentages)</i>					
Primary land development . . . . .	1,991.6	81.4	2,640.4	90.1	1,996.3	91.2
Municipal road and infrastructure construction . . . . .	405.1	16.5	225.6	7.7	112.1	5.1
Property management and services . . . . .	43.7	1.8	60.9	2.1	80.0	3.7
Other ancillary businesses . . . . .	7.3	0.3	4.4	0.2	5.4	0.2
<b>Total . . . . .</b>	<b>2,447.8</b>	<b>100.00</b>	<b>2,931.2</b>	<b>100.00</b>	<b>2,188.3</b>	<b>100.0</b>

*Note:* The Company recorded revenues generated from the municipal road and infrastructure construction segment under the municipal road and infrastructure construction segment for the years ended 31 December 2015 and 2016, whereas such revenue was recorded under management fees segment for the year ended 31 December 2017. For details, see notes to the consolidated statements of profit and losses in "Appendix I – Accountant Reports".

## CORPORATE STRUCTURE

The following chart sets forth a simplified corporate structure of the Group as at the date of the offering circular:



## CORPORATE HISTORY AND DEVELOPMENT MILESTONES

The Group's corporate history and development milestones are as set forth in the table below:

<b>Year</b>	<b>Milestone Event</b>
February 2009. . . . .	Hunan Xiangjiang New Area Investment Group Co., Ltd. was established
September 2009 . . . . .	Meixihu Investment (Changsha) Co., Ltd. was established
July 2010. . . . .	Hunan Xiangjiang City Operation Management Co., Ltd. (湖南湘江城市運營管理有限公司) was established
August 2010. . . . .	Hunan Xiangjiang New Area Municipal Construction Investment Co., Ltd. was established
April 2016 . . . . .	The Group was established with an initial registered capital of RMB30.0 billion from the Xiangjiang New Area Management Committee
May 2016. . . . .	Meixihu Investment (Changsha) Co., Ltd., Hunan Xiangjiang New Area Investment Group Co., Ltd. and Hunan Xiangjiang New Area Municipal Construction Investment Co., Ltd. (湖南湘江新區市政建設投資有限公司) Co., Ltd. were merged into the Group pursuant to the order of Changsha Municipal Government

<u>Year</u>	<u>Milestone Event</u>
February 2017 . . . . .	Hunan Dream Real Estate Development Co., Ltd. (湖南夢想置業開發有限公司) was established
March 2017 . . . . .	The Group's shareholder was changed to the Changsha SASAC of Hunan while in terms of daily business operation, the Group falls within the purview of the Xiangjiang New Area Management Committee through its business instructions, which is an agency entity of Changsha Municipal Government established to manage economic and administrative affairs within Xiangjiang New Area
April 2017 . . . . .	Hunan Xiangxin Water Investment Co., Ltd. (湖南湘新水務有限公司) and Changsha Yuelu Mountain National University Science and Technology City Construction Investment Co., Ltd. was established
May 2017. . . . .	Hunan Xiangjiang Zhongying Investment Management Co., Ltd. (湖南湘江中盈投資管理有限公司) and Hunan Huanian Cultural Tourism Investment Co., Ltd. (湖南華年文化旅游投資有限公司) was established
June 2018 . . . . .	On 25 June 2018, Hunan Xiangjiang New Area Investment Group Co., Ltd. published an announcement on the website of the Shanghai Stock Exchange stating that Hunan Xiangjiang New Area Municipal Construction Investment Co., Ltd. is to be merged with the Hunan Xiangjiang New Area Investment Group Co., Ltd. including all of its assets, however its liabilities are intended to be transferred to the Issuer. As at the date of the offering circular, this transaction is still undergoing relevant regulatory approval procedures with the Changsha SASAC

## AWARDS

The Group has won numerous accolades and awards as set forth in the table below:

<u>Time</u>	<u>Awards</u>
January 2015 . . . . .	The Group's project, Meixi Lake Ecological Park (“梅溪湖生態公園”) won the China Habitat Environment Model Award from Ministry of Housing and Urban-Rural Development of the PRC
May 2016. . . . .	The Group's projects, Meixi Lake International Culture and Art Center (“梅溪湖國際文化藝術中”), Xiangjiang Happy City and Langhao Hotel (“湘江歡樂城朗豪酒店”) successively won the China Steel Structure Gold Award from China Construction Metal Structure Association
October 2016 . . . . .	The Group's project, Meixi Lake International New City (“梅溪湖國際新城”), won the Global Human Settlements Environment Planning and Design Award from Global Forum on Human Settlements and became the only project in the PRC that won this honour

<b>Time</b>	<b>Awards</b>
May 2017. . . . .	The Group’s project, City Island (“城市島”), won the China Steel Structure Gold Award from China Construction Metal Structure Association
June 2017 . . . . .	The Group’s project, Meixi Lake Innovation Center (“梅溪湖創新中心”) won the Best Driven Service Platform Award for China’s Software and Information Service Industry in 2016 and 2017 from China International Software and Information Service Fair
September 2018 . . . . .	The Group’s project Baxizhou Water Park won the Urban Open Space Award from ULI Americas.

## **COMPETITIVE STRENGTHS**

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

### **Strong support on business development and capital investment from Hunan provincial government and Changsha municipal government**

The Group is ultimately owned by Changsha SASAC of Hunan Province. It falls within the purview of the Xiangjiang New Area Management Committee through its business instructions. The Group reports its budget, business objectives, business plan and operation results to Changsha municipal government and Xiangjiang New Area Management Committee. In addition to its strong shareholder background, the Group also gained a competitive financial support in form of capital investment and subsidies. The Group has a registered capital of RMB30.0 billion. As at 31 December 2017, the Group’s paid-in capital was RMB22.1 billion. Since its establishment up to the year ended 31 December 2017, the Group has received the government financial support in an aggregate amount of RMB31.0 billion, including the registered capital of RMB9.9 billion, refund of land cost of RMB8.0 billion, other subsidies of RMB1.3 billion and project construction funds of RMB11.8 billion. Besides, the Group gained strong support from the government on business strategy and business development. A full coverage debt service mechanism of the Group, supported by the government financial support and business support, will ensure the sustainable development of the Group.

Changsha is the capital of Hunan Province. It is the political, economic, cultural, scientific, educational and commercial center of Hunan Province and one of the core cities in central China. It is an important transportation and shipping center in South Central China and is a famous city of mountains and waters and a happy, entertaining and a global green city. In 1982, Changsha was named by the State Council as one of the first “historical and cultural cities” in the country, ranking first among the “Top Ten Leisure and Livable Eco-Cities in China”. Changsha is a national civilized city, a two-type social experimental zone, an important industrial and commercial city in central and southern China, one of the central cities of the middle reaches of the Yangtze River, and the core of the Changsha-Zhuzhou-Xiangtan cluster.

Xiangjiang New Area is the only state-level new area in Hunan Province and one of 19 state-level new areas in China. The state-level new area refers to the comprehensive functional area approved by the State Council to take on major strategic tasks in national development and reform. The establishment of Xiangjiang New Area will further promote the economic and social development of Hunan Province and the middle reaches area of Yangtze River, and will play a significant role in the development of Central China and construction of Yangtze River Economic Zone. Xiangjiang New Area will be built into an important base for conversion of high-end manufacturing research and development results and a creative industry cluster, a new urbanization pilot area for city-industry integration and urban-rural integration, a demonstration area for the construction of national resource-efficient society and economic-friendly society, and an important platform for the opening of inland areas of Yangtze River



Economic Zone to the outside world. A state-level new area enjoys various preferential policies, which will further promote local economic development. Xiangjiang New Area has continuously promoted the joint development with national-level new areas, forming a national-level new area development alliance with the Pudong New Area, Jiangbei New Area, Liangjiang New Area and Tianfu New Area, forming a new national-level new area development alliance with the Gui'an New Area, Lanzhou New Area, Xixian New Area and Yuzhong New Area, together constitute the important inland nodes of the "Belt and Road Initiative", and further promotes the import and export linkage with Guangzhou Nansha New Area, the mechanism of product and technology mutual assistance, and promotes deep cooperation with Hong Kong and Macao. In addition, Xiangjiang New Area strengthens industrial investment cooperation with Tianjin Binhai New Area, deeply participates in the coordinated development of Beijing-Tianjin, strengthens cooperation with Fuzhou New Area, participates in the construction of the economic zone on the west side of the straits and economic cooperation in the Taiwan Strait. Besides, Xiangjiang New Area further strengthens with the Zhoushan Islands New Area, Dalian Jinpu Xiangjiang New Area, Qingdao West Coast New Area in the fields of offshore equipment, land and sea transportation cooperation, and participates in the national marine strategy.

### **Strategic importance to Hunan province and Changsha**

As a company with a strategic positioning in Xiangjiang New Area, the Group is the most important investment and financing entity of Xiangjiang New Area, the developer of the industrial park and operation and management entity of the state-owned assets in the industrial park, and is responsible for the development of industrial facilities and supporting facilities, infrastructure construction and land consolidation in Xiangjiang New Area. The Group focuses on the development of Meixi Lake International New City (梅溪湖國際新城), Dawang Mountain Tourist Resort (大王山旅遊景區) and Yuelu Mountain National University Science and Technology City (岳麓山國家大學科技城) in Xiangjiang New Area, with a total development area of 100.6 sq. kilometers. The Group is the largest platform company for the government and the largest primary land developer in Xiangjiang New Area. As from its establishment, the Group has, under overall management by the government, made the investment in an aggregate amount of RMB83.9 billion as at 30 September 2018.

In addition, as at 31 December 2017, the Group has completed a total of 1,855.2 hectares of primary land development 599.9 hectares of land transferred. The Group is responsible for the construction of all roads and bridges and pipe network hydropower facilities in Meixi Lake International City, Dawang Mountain Tourist Resort and Yuelu Mountain National University Science and Technology City. The Group's has constructed education facilities in the Meixi Lake area with a target of a total of 28 primary and secondary schools, among which 10 schools have been completed and 12 more brand schools such as Changjun and Yali are being introduced meantime.

### **Premium assets generating stable cash flow**

The Group operates a variety of sources of cash flow, including, for example, (i) obtaining land transfer income by transferring operational land in order to balance the pre-phase ripening costs; (ii) receiving financial subsidy income through comprehensive utilization of Meixi Lake project, road infrastructure projects, special rectification for old industrial bases; (iii) obtaining profit by managing high-quality properties and providing public services; (iv) linking social capital through PPP, and obtaining equity dividend income from carrying out the development and construction of the industrial park; (v) investing and participating in enterprises with potential in the park, and cultivating start-up enterprises to obtain excess investment income. The Group has superior assets to generate cash flow, including Xiangjiang Happy City, Baxizhou Water Park and Meixi Lake Innovation Center and Xiangjiang Group Building.

### **Diversified financing channels**

The Group has always maintained a good cooperation relationship with financial institutions. The Group has signed letters of intent for strategic cooperation with 13 major banks including China Development Bank, China Agricultural Development Bank, Bank of China and Agricultural Bank of China, and has established a new type of strategic cooperation partnership between banks and enterprises. The

Company's credit facilities from various banks totalled RMB30.4 billion as at 30 September 2018, of which the outstanding amounted to RMB26.8 billion as at the same date. In 2017, the Group's short-term debts accounted for 4.0% of total debt, while long-term debts accounted for 96.0% of the total debts. The land development by Xiangjiang New Area can promote the Group's financing platform function, link the social capital from multiple channels and fully leverage the social capital to be invested in the development of Xiangjiang New Area. The Group is expected to achieve a financing of RMB15 billion in the near term and a financing of RMB54.0 billion in the long run. The Group fully utilizes bank loans and uses policy-oriented projects such as affordable housing to apply for credit funds of low capital costs and long term from policy banks without increasing government debts. The Group has established the Xiangjiang New Area Industrial Guidance Fund, such as establishing a medical health industry fund in Meixi Lake Area. On the basis of the issuance of enterprise bonds, corporate bonds and mid-term bonds, the Group has tried to issue short-term financing bonds and small corporate bonds of public placement. Through government funding and social capital cooperation, social capital is guided to participate in municipal, educational, medical and other projects. The Group mainly focuses on project loans and liquidity loans of commercial bank, and ensures the construction funds and daily liquidity needs of the Group's key projects.

### **Experienced management with excellent execution capabilities**

The Group has established a sound and effective corporate governance structure which is in line with the modern corporate practice. Its corporate governance system covers occupational safety, risk management and capital management. The Group is led by a highly-experienced team of management professionals, some of whom were senior government officials with a deep understanding of the economic and political environment and socioeconomic policy measures adopted by the government. Each member of the senior management team has in-depth experience of between 10 to 20 years in an area critical to the management and operation of the Group's businesses, such as economics, engineering, accounting, finance, political relations, property management and investment management. The Group's management has leveraged such experience to develop prudent corporate governance and risk management measures to ensure the Group is responsive and adaptable to risks.

The Group has established a clear strategic positioning with skilled management and sound corporate governance practices. The board of directors is at the centre of decision-making while the board of supervisors is responsible for supervision and evaluation of the Group's decisions. The management are responsible for the daily operations and decision making of the Group. This prudent internal governance structure has enabled the Group's leadership to fully leverage on the professional experience of the management team, optimise efficiency and demonstrate strong execution ability across different industries and geographic markets. With the skilled management and sound corporate governance practices, the Group has navigated through various market and business cycles, regulatory reforms and industry developments over its operating history. See "Directors, Supervisors and Senior Management". Under the sound leadership of its management team and leveraging on their past experience, the Group has successfully achieved its missions over the years and distinguished itself from its competitors.

## **BUSINESS STRATEGIES**

### **Further promote primary land development with the support of the Changsha municipal government**

The Group expects to continue to undertake the development of primary land in the Xiangjiang New Area. It anticipates sustainable development in the field of primary land development of the Xiangjiang New Area thanks to its position as the exclusive primary land developer in the area. The Group believes that by leveraging its extensive experience and with the funding and policy support from the Changsha Municipal Government, it is well positioned to further strengthen its market position as the leading developer of primary land in the Xiangjiang New Area.

### **Further expand operations in municipal road and infrastructure construction in line with regional economic development policies**

The Group has been engaging in municipal road and infrastructure construction as part of its business. With the support of the Changsha Municipal Government, the Group has the opportunity to integrate and leverage necessary resources to support its investments and operations in infrastructure development. The Group undertakes key infrastructure projects within the Xiangjiang New Area which includes supporting infrastructure of land development within the area and infrastructure projects across areas or outside the area. The Group expects to continue to leverage on the continued support of the Changsha Municipal Government. The Group intends to explore the Public-Private Partnership (PPP) project model to fund these infrastructure projects in the future.

### **Integrate and utilise modern urban resources for sustainable growth**

The Group believes that the integration and utilisation of modern urban resources is necessary for the sustainable development of the Xiangjiang New Area. The Group has invested and operates modern urban resources such as water purification plant, distributed energy station and underground integrated pipe gallery and supporting road works.

### **Focus on various investment sources to sustain long-term growth of the Xiangjiang New Area**

The Group has been supporting the sustainable growth of the Xiangjiang New Area. The Group intends to conduct its investment strategy in two ways: (i) capturing opportunities in capital markets and conducting venture capital and private equity investment in a market-orientated manner, and (ii) developing industrial investment in projects to formulate new pillar industries and funding source for the Group. The Group believes that this investment strategy would not only be beneficial to the long-term growth of the Xiangjiang New Area, but will also provide the Group with opportunities to increase financial returns from its investments.

### **Attract and retain talented personnel through systematic training programs and competitive remuneration packages**

The Group is committed to building a professional and highly-skilled team with strong execution capabilities. The Group's success and future growth strategy depends on its ability to attract and retain talented professionals. The Group offers systemic and comprehensive training programs to its employees, such as programs targeted at employees of different seniorities at different stages of their career. The Group also plans to continue to offer competitive remuneration packages to attract and retain talented professionals. In addition, the Group offers performance-based bonuses to better align its employees' interests with interests of the Group and to foster a higher level of recognition and realisation of its corporate value and culture.

## **BUSINESS ACTIVITIES**

The Issuer is a company with a strategical positioning in Xiangjiang New Area. The Issuer, since its incorporation in 2016, has been playing an important role in the development of the Xiangjiang New Area in many ways. The Group is committed to bringing high-quality capital and innovative companies into the Xiangjiang New Area and to promoting its competitiveness. By adopting a market-based operation model, the Group operates in various business sectors, including primary land development, municipal road and infrastructure construction, property management and services and other ancillary businesses to promote the urbanisation and economic development of the Xiangjiang New Area.

### **Primary Land Development**

#### *Overview*

The Group has been authorized to carry out the work of primary land development by the Xiangjiang New Area Management Committee. The activities relating to primary land development are largely carried out by the Group through its subsidiaries such as Meixihu Investment (Changsha) Co., Ltd.,

Hunan Xiangjiang New Area Investment Group Co., Ltd. and Changsha Yuelu Mountain National University Science and Technology City Construction Investment Co., Ltd., and such activities are facilitated by the land planning and development policies implemented within the Xiangjiang New Area. Meixihu Investment (Changsha) Co., Ltd. is responsible for the primary land development business in the Meixi Lake Area and Hunan Xiangjiang New Area Investment Group Co., Ltd. is responsible that in the Dawang Mountain Area. Changsha Yuelu Mountain National University Science and Technology City Construction Investment Co., Ltd. is responsible for the development of Yuelushan National University Science and Technology City Area.

The primary land development business line is the Group's largest business line in terms of operating income. For the years ended 31 December 2015, 2016 and 2017, operating income generated from the Group's primary land development business was RMB1,991.6 million, RMB2,640.4 million and RMB1,996.3 million, respectively, representing approximately 81.4%, 90.1% and 91.2%, respectively, of the Group's total operating income for the same periods.

The following table sets out a summary of the Group's primary land consolidation and development efforts<sup>(1)</sup>:

	2015		2016		2017	
	Dawang Mountain Area	Meixi Lake Area	Dawang Mountain Area	Meixi Lake Area	Dawang Mountain Area	Meixi Lake Area
Land area transferred (in hectares) . . . . .	14.1	3.9	84.7	18.9	75.0	34.4
Land transfer price (RMB in millions) . . . . .	362.5	277.8	1,828.8	4,022.0	1,755.5	3,737.4
Average land transfer price (RMB in millions/hectares) . . . . .	25.7	70.5	21.6	213.2	23.4	108.6
Confirmed land transfer income (RMB in millions) . . . . .	264.07	1,727.6	1,267.2	1,373.2	1,290.4	705.9

*Note:* Changsha Yuelu Mountain National University Science and Technology City Construction Investment Co., Ltd. started the primary land development of Yuelushan National University Science and Technology City Area in 2017 and as at the date of the offering circular, no land area transferred and no revenue recognized for its primary land development through such business operation.

### **Business Model**

The Xiangjiang New Area Management Committee authorizes the Group in respect of the development of primary land parcels. Under this business line, the Group primarily identifies land areas or parcels to be consolidated and developed, which are owned by the Hunan Xiangjiang New Area Land Resources Centre (湖南湘江新區土地儲備中心) as an agency entity of Xiangjiang New Area Management Committee established to manage land reserve, supply and auction affairs within Xiangjiang New Area. The Group also assists in the process of their being on-sold thereafter to the public.

The Group normally does not hold the land use rights to the land underlying its primary land development projects and will acquire the relevant land parcel through expropriation. The Group will liaise and coordinate with various town and village governments and other authorities in charge of relocation. The office in charge of the resettlement management affairs of the Xiangjiang New Area Management Committee is responsible for coordinating the relocation and resettlement with the assistance provided by the various town and village committees. The Group also constructs affordable housing for the purpose of the relocation and resettlement of these existing residents.

After obtaining the land development quota from the Changsha Municipal Government, the Group will, solely or jointly with other parties, finance and conduct the construction work of land levelling and connection of utility systems and arranges for the installation of municipal infrastructure (such as roads, water supply, drainage, electricity and telecommunications) so as to prepare the land for sale to secondary developers by the local government. The Group will normally engage third party contractors,

which are selected through a public tender process, to carry out land clearance and development, which usually involves the demolition of existing structures and the construction of key utilities and infrastructure.

Upon the completion of the primary land development by the Group, the Group would transfer such land to the Hunan Xiangjiang New Area Land Resources Centre which further will sell the developed primary land parcel to real estate enterprises or developers through public auction, tender or listing for transfer.

### ***Fees***

During the primary land development, the major cost includes the relocation fees, the construction fees and other financing fees. The relocation fees include requisition compensation, rural population resettlement fees, resident resettlement fees, advanced removal subsidies, township enterprise compensation, entity resettlement costs, rural labour endowments and labour absorption fees. In Dawang Mountain Area, the Group pays relocation fees to the existing residents and burdens the construction fees and other financing fees. While in Meixhu Lake Area, pursuant to relevant agreements with other third parties involved in the primary land development, the Group do not need to pay the relocation fees, the construction fees and other financing fees in advance but it falls within the obligations of such third parties, which is negotiated as a package price when the projects start at the very early stage. Under the second business model, the Group generally have lower capital pressure as only a small proportion of the whole primary land development fees would be burdened by the Group.

Based on the discussions between the Group and the Xiangjiang New Area Management Committee, the Group expects that it will be entitled to receive a portion of the proceeds from the sale of the developed land parcels by the Hunan Xiangjiang New Area Land Resources Centre after the deduction of relevant fees and taxes, such as transfer fees, rural land development fees, state-owned land fees, social security payments for landlost farmers, land reclamation fees (if any), farm land occupation tax (if any), farm land reclamation fees (if any), and land expropriation service charges. In Meixi Lake Area Phase I project, the Group expects to receive 4.8% of the land value added price and in Dawang Mountain Area, and for Meixi Lake Area Phase II project and Dawang Mountain Area such percentages shall is expected as 60%.

### *Completed and planned primary land development status*

The following table sets out a summary of the Group's completed and ongoing primary land development status:

<u>Location</u>	<u>Planned Land Development Area (in hectares)</u>	<u>Year of Completion (Projected)</u>	<u>Total Developed Land Area (as at 31 December 2017) (in hectares)</u>	<u>Total Transferred Land Area (as at 31 December 2017) (in hectares)</u>
Dawang Mountain Area . . . . .	2,726.1	2025	465.6	218.8
Meixi Lake Area . . . . .	2,585.9	2025	1,389.6	381.1

### **Municipal Road and Infrastructure Construction**

#### *Overview*

The Group is the most important entity appointed by the Xiangjiang New Area Management Committee to carry out municipal road and infrastructure construction projects within the Xiangjiang New Area. Leveraging on its experience and expertise in the municipal road and infrastructure industry, the Group undertakes a wide range of projects. Municipal road and infrastructure construction is the second largest business line of the Group in terms of operating income. For the years ended 31 December 2015, 2016 and 2017, operating income generated from the Group's municipal road and infrastructure construction segment was approximately RMB405.1 million, RMB225.6 million and RMB112.1 million, respectively, representing 16.5%, 7.7% and 5.1%, respectively, of the Group's total operating income for the same periods.

The Group is key to executing the Changsha Municipal Government and Xiangjiang New Area Management Committee's plans for building and improving urban facilities such as roads, schools, hospitals, parks, theatres, power station, utility tunnel and other public infrastructure and facilities. The municipal road and infrastructure projects are mainly carried out by Hunan Xiangjiang New Area Investment Group Co., Ltd. Hunan Xiangjiang New Area Municipal Construction Investment Co., Ltd. and Meixi Lake Investment (Changsha) Co., Ltd. (梅溪湖投資(長沙)有限公司) for projects in Dawang Mountain Area and Meixi Lake Area. Over the years, the Group has completed 53 municipal road and infrastructure projects as developer and/or as financing platform of the Xiangjiang New Area Management Committee, which were primarily relating to public transportation and entertainment, education and cultural facilities, public hospitals and medical infrastructure. The Group is now undertaking approximately 100 projects, such as the Xiang Jun Cultural Park (湘軍文化園). These projects are for the public interest of the Changsha municipality and the Group will receive generally 3% of the construction fees through assets purchase from the Xiangjiang New Area Management Committee, as the Group's revenue.

For example, Xiangjiang Happy City (湘江歡樂城) is Hunan's first world-class mega-innovative comprehensive tourism industry project with a total investment of about RMB12.0 billion. The project was officially started on 18 July 2014. It is planned to be completed in 2019. It is expected to create direct employment for 8,000 people and indirect jobs opportunities for 50,000 people. It is expected to accommodate up to 100,000 visitors per day.

The Group undertakes two categories of municipal road and infrastructure projects: (i) projects undertaken on behalf of the Xiangjiang New Area Management Committee, (ii) the Public-Private Partnership ("PPP") model.

#### *Projects undertaken on behalf of the Xiangjiang New Area Management Committee*

For projects undertaken on behalf of the Xiangjiang New Area Management Committee, the Xiangjiang New Area Management Committee instructed the Group to build urban roads and infrastructure. The Group will carry out project design, bidding and carry out road and infrastructure construction according



to relevant government documents. The Xiangjiang New Area Management Committee prepares corresponding construction funds in its annual government budget according to the project construction progress.

#### *Construction and fees*

The Group normally relies on third-party construction companies and third-party suppliers to develop municipal road and infrastructure projects, which are typically selected through a statutory tender process and monitored by the Xiangjiang New Area Management Committee. When selecting contractors or suppliers, the following factors are taken into account including reputation, track record in similar projects, creditworthiness, technical capabilities, proposed construction blueprint and price. Under the coordination and oversight of the Group, the selected construction companies carry out various types of construction works, including on-site investigation, foundation digging, construction, equipment installation, internal decoration and various engineering work. The quality and timeliness of the construction are usually warranted by the contracts. In the event of delay or poor workmanship, the Group has the right to require the construction contractor to rectify the defect or pay penalties. During the construction process, the Group also conducts budgeting and capital management to ensure the satisfaction of clients' requirements on construction scale, engineering specifics and capital investment amount.

The projects undertaken and operated by the Group mainly relate to the construction of public development projects which that are expected to generate government-related sourced revenues for the Group, such as roads, schools, hospitals, parks, theatres, power station, utility tunnel and other public infrastructure and facilities.

#### *Projects*

As at 31 December 2017, the Group was engaged in 53 projects with a total investment amount of RMB3.0 billion. The following table sets forth the particulars of major municipal road and infrastructure construction projects that have been completed as at 31 December 2017:

<b>Project</b>	<b>Year of Completion</b>	<b>Total Investment Amount (RMB in millions)</b>	<b>Total Confirmed Income (as at 31 December 2017) (RMB in millions)</b>
Shijiagang High Drainage Canal (施家港高排渠) . . . . .	2012	73.0	2.8
Shijiagang Water Park (施家港水上公園) . . . . .	2012	56.0	2.1
Huangqiao Avenue Second Section and South Extension Line (黃橋大道二段及南延線) . . . . .	2013	303.0	8.7
Lianfeng Road (聯豐路) . . . . .	2013	60.0	2.7
Hexi Traffic Project New Municipal Auxiliary Project (河西交通樞紐市政配套工程) . . . . .	2015	201.0	6.7
Sewage interception project in the Changsha section of the Xiangjiang River terminal area (Hexi Jinghe Road-Chaojiang River) (Phase I)(湘 江樞紐庫區長沙城區段(河西阜埠河路-靳江河)截污工程(一期)) . . .	2016	56.0	2.3
Riverbank of Xiangjiang River (Yinpenling-Tuojiang River) Upgrade Project (湘江西岸江灘(銀盆嶺-靳江河)提質工程) . . . . .	2016	150.0	4.4
Xiangxi West Bank (Monkey Bridge - Longwanggang) Landscape Lighting Project (湘江西岸(猴子石大橋-龍王港)景觀亮化工程) . . . .	2016	112.0	4.0
Changwang Road (長望路) . . . . .	2016	56.0	2.6
Eightsquare Park (八方公園) . . . . .	2017	63.0	2.3

The following table sets forth the particulars of the Group's major ongoing municipal road and infrastructure construction projects as at 31 December 2017:

<b>Project</b>	<b>Year of Completion (Projected)</b>	<b>Total Investment Amount (RMB in millions)</b>	<b>Total Investment Amount (as at 31 December 2017) (RMB in millions)</b>	<b>Total Confirmed Income (as at 31 December 2017) (RMB in millions)</b>
Xiang Army Cultural Park (湘軍文化園) . . . . .	2019	629.5	367.9	262.9
Xiangjiang River Bank Dike Improvement Project (湘江西岸堤防整治工程) . . . . .	2019	1,039.5	882.1	239.1
Xiangfu Road Rapid Transformation (Hexi Section) Project (湘府路快速化改造(河西段)工程) . . . . .	2019	1,402.0	288.6	3.5
University East City Water System and Road Construction (Water System Reform)(大學城東片水系與道路建設(水系改造部分)) . . . . .	2018	203.8	224.4	7.4
West Second Ring Traffic Improvement Project (西二環交通改善工程) . . . . .	2020	951.1	723.1	11.8
New Bachelor Road West Extension (Baiting Road – Huangqiao Avenue) (新學士路西延線(白庭路-黃橋大道)) . . . . .	2020	736.0	59.7	1.3
Lianping Avenue (Xueshi Road-Dongshanwan Road) Road Project (蓮坪大道(學士路-東山灣路)道路工程) . . . . .	2018	351.4	135.0	3.7
Huang Qiao Avenue South Extension (Yu Jiu Line – Chang Tan Jie)(黃橋大道南延線(雨九線-長潭界)) . . . . .	2021	1,471.2	538.6	6.3
The first section of Hanpu Road (Bachelor's Liaison Line – West 2nd Ring Road) (含浦大道第一段(學士聯絡線-西二環)) . . . . .	2019	508.8	212.2	5.3
Houhu Road (Qingshui Road – Luohe Road) (后湖路(清水路-阜埠河路)) . . . . .	2018	326.8	247.0	6.9

### **Public-Private Partnership model**

Given the Group's close relationship with the Changsha Municipal Government, the Group plans to transform the operation modes of some of its businesses increase more income. For instance, the Group is cooperating with the local government and private enterprises under the Public-Private Partnership (“PPP”) model for projects. PPP between a government agency and private-sector company can be used to finance, build and operate projects, such as public transportation networks, parks and convention centres. As the largest SOE in Xiangjiang New Area, the Group not only undertakes many important duties such as key area development, regional infrastructure construction, urban operation management, industrial development and cultivation, but also participates in several PPP projects as a government-authorized investment representative. At present, the Group's investment in PPP projects that have been basically completed exceeds RMB3.0 billion, under construction is approximately RMB2.0 billion, and the newly planned investment in PPP projects amounts to approximately RMB12.0 billion. The Group has not yet recorded revenue from its PPP investment and participation as at 31 December 2017.

The following table sets forth the particulars of the Group's ongoing PPP construction projects as at 31 December 2017:

Project	Year of Completion (Projected)	Total amount	Total finance amount	Investment (RMB in millions) Confirmed finance amount	Total equity investment	Equity investment from government	Total Investment Amount (as at 31 December 2017) (RMB in millions)	Operation Period	Government investment plan and timetable
Lei Feng Water Purification Plant (Phase I) PPP Project (雷鋒水質淨化廠(一期) PPP項目)	2019	434	331	nil	103	50	20	25	Averagely RMB186.9 million per year from 2016 till 2044
Changsha Underground Comprehensive Pipeline Project (Mexihu Lake International New City (Phase II) Underground Comprehensive Pipeline PPP Project) (長沙市地下綜合管廊項目(梅溪湖國際新城(二期)地下綜合管廊PPP項目))	2018	1,060	742	nil	318	32	400	25	Averagely RMB45.5 million per year from 2019 till 2043
Future Technology City Smart Driving Test Area (Phase I) PPP Project (未來科技城智能駕駛測試區(一期) PPP項目)	2018	1,896	1,422	657	474	20	1,283	9	Averagely RMB138.9 million per year from 2016 till 2026
Yuening Avenue (Yueyu Section) PPP Project (岳寧大道(岳麓區段) PPP項目)	2018	1,170	830	340	340	34	820	8	Averagely RMB164.8 million per year from 2016 till 2025

## Property Management and Services

### Overview

The Group is the primary operator of municipal infrastructure in the Xiangjiang New Area, through Hunan Meixi Lake International Plaza Real Estate Co., Ltd. (湖南梅溪湖國際廣場置業有限公司) and Changsha Hunan Xiangjiang City Operation Management Co., Ltd. The Group is responsible for the management and maintenance of some municipal infrastructures such as roads and tourism entertainment facilities. The Group also manages and maintain such as through leasing more than 120 thousand sq. metres of properties, and 965.3 thousand sq. metres of commercial land resources. The operating income contribution of the Group's property management and services segment is approximately RMB80.0 million for the year ended 31 December 2017, representing approximately 3.7% of the Group's total operating income for the period.

### Property Lease

The Group leases its properties in Xiangjiang New Area, including commercial properties and office buildings. The Group usually enters into leases for terms of five years for commercial property leasing and two to five years for office building leasing. For example, currently the Group owns two commercial office buildings, Meixi Lake Innovation Center and Xiangjiang Group Building, with a total area of 118,424.4 sq. meters, of which 73,893.2 sq. meters have been leased, accounting for 62.4% of its total size.

### Property Maintenance

The Group's is responsible for maintenance of several projects developed by the Group such as 15 roads, parks, entertainment facilities, residential properties by providing, among others, ordinary maintenance, cleaning, digital system operation and electrical equipment repairs.

Maintenance primarily includes repair of road surface, roadbeds and facilities caused by man-made accidents or as a result of normal aging. The Group's maintenance and cleaning team inspects the road daily and identifies any damage that may require reparation. In the first few years of operation, the constructed facilities usually only require minor repair and maintenance. Through internet technologies, the Group further integrates mobile Internet service platform that covers such functions as one card, street view, online-to-online business services and regional social networking within the residential properties developed.

### Property Operation

The Group operates its self-owned properties, and its total revenue in 2017 amounted to RMB32.31 million. The Shui Shang Qing Feng (“水上清風”) has a total revenue of RMB0.76 million in 2017. The Wen Zheng Academy (“文正書院”), a conference centre, has a total revenue of RMB0.33 million in 2017. For example, Baxizhou Water Park (巴溪洲水上樂園) is the third largest island in the Changsha part of Xiangjiang River. It has a total investment of around RMB600 million, a length of 3,450 meters from north to south, an average width of about 300 meters, and a total area of 73.3 hectares. It is an ecological water park with a yacht club, ecological wetland and children entertainment. In October 2014, the Group started its property management and operation in this park.

The following table sets forth the details of the Group’s property under management as at 31 December 2017.

Property	Income sources	Total Income (for the year ended 31 December 2017) (RMB in millions)
Baxizhou Water Park . . . . .		4.6
Dawang Mountain Gateway Square (大王山門戶廣場) . . . . .		1.3
Dawang Mountain Municipal Road (大王山市政道路) . . . . .		9.9
Taohualing Scenic Area (桃花嶺景區) . . . . .		11.9
Festival Island (節慶島) . . . . .	Property management income	7.5
Tourist Service Center (旅游服務中心) . . . . .		1.4
R & D Center (研發中心) . . . . .		1.1
Innovation centre (創新中心) . . . . .		1.1
Other municipal and public facilities . . . . .		3.5
Shui Shang Qing Feng (水上清風) and Wen Zheng Academy (文正書院) . . . . .	Operating income	1.0
City spot (城市熱點) . . . . .		1.9
Fragments and land leases (小品及片區間歇土地租賃) . . . . .	Rental income	4.2
Innovation Center Office Building (創新中心寫字樓) . . . . .		30.2

### Other Ancillary Businesses

In addition to the Group’s three major business lines, the Group is also engaged various other businesses through its subsidiaries and affiliate to complement its principal businesses, mainly including real estate development, equity investment, cultural tourism and environmental treatment. The operating income from such other secondary business activities is comparably small in terms of the total operating income and some business lines just started in 2017 and did not bring about revenue as at 31 December 2017. During the years ended 31 December 2015, 2016 and 2017, the Group generated total revenue from the other ancillary businesses of approximately RMB7.3 million, RMB4.4 million and RMB5.4 million, respectively, representing 0.3%, 0.2% and 0.2% of the total operating revenue for the relevant period.

The Group believes that its investment in other business areas will minimise the risk of concentration. In determining whether a particular company or a particular industry is a viable investment, the Group will typically take certain specific factors into consideration, including the geographic location of the company, the prospects of the company and the industry it is operating in, the return and the time expected for such a return to be achieved.

The table below sets forth details of business areas the Group engaged in as at and for the year ended 31 December 2017, together with relevant operating information.

<u>Business lines</u>	<u>Subsidiaries or affiliate engaged in</u>	<u>On-going project</u>	<u>Total investment (as at 31 December 2017) (RMB in millions)</u>	<u>Total income (as at 31 December 2017) (RMB in millions)</u>
Equity investment . . . . .	Hunan Xiangjiang Zhongying Investment Management Co., Ltd.	–	–	–
Cultural tourism . . . . .	Hunan Huanian Cultural Tourism Investment Co., Ltd.	Cultural art center cooperative operation project	10	–
Real estate development. . . . .	Hunan Dream Real Estate Development Co., Ltd.	Land secondary development	490	–
Environment protection . . . . .	Hunan Xiangxi Water Co., Ltd.	Jinmao Energy joint venture	10.2	–

## GOVERNMENT REGULATIONS

The operations of the Group are subject to various laws and regulations in the jurisdiction in which it operates. The Group's properties are also subject to routine inspection by government officials with regard to the various safety and environmental issues. The Group believes that it is in compliance in all material respects with governmental regulations currently in effect in the jurisdiction in which it operates.

The Group is not aware of significant problems experienced by the Group or any subsidiary of the Group with respect to compliance with government regulations in relation to its operations which could materially adversely affect its properties or operations, and is not aware of any pending government legislation that might have a material adverse effect on its properties or operations.

## Health and Safety Compliance

As at the date of this Offering Circular, the Group has complied in all material respects with the PRC laws and regulations on workplace safety that are applicable to its business segments. The Group has not been subject to any fines or administrative action that has been filed at the PRC State Administration Bureau of Industry and Commerce involving non-compliance with any relevant regulations, except for such fines or actions that would not have a material adverse effect on the Group, nor is it required to take any specific remedial measures.

The Group has dedicated personnel and facilities to handle occupational health and safety management matters. The Group actively implements and enforces safety measures to prevent and reduce danger and risks involving occupational health and safety. Furthermore, the Group provides safety-related training to its employees, arranges for routine medical examinations to be conducted and provides opportunities for medical treatment for employees.

## Environment Matters

The Group's operations are subject to various environmental laws. Compliance with such laws has not had, and to the Group's knowledge, after due and careful inquiry, is not expected to have, a material adverse effect upon the Group's capital expenditures, earnings or competitive position.

## EMPLOYEES

As at 31 December 2017, the Group has 1,048 employees. The following table sets forth the details of the Group's employees by education, age and profession, as at 31 December 2017.

<u>Education degree</u>	<u>Number</u>	<u>%</u>
Bachelor Degree and above. . . . .	662	63.2
Others . . . . .	<u>386</u>	<u>36.8</u>
Total . . . . .	<u>1,048</u>	<u>100.0</u>

The Group has established workers' unions committed to protecting employees' rights and welfare benefits, organise educational programmes, encourage employee participation in management decisions and mediate disputes between individual employees and the Group. All employees are union members. The Group has not experienced any strikes or other labour disturbances that have interfered with its operations, and the Group believes that it maintains good relationships with its employees.

In accordance with the applicable regulations of the local government, the Group makes contributions to the pension contribution plan, medical insurance, unemployment insurance, maternity insurance and personal injury insurance. The Group also makes contributions to employees in respect of endowment insurance, medical insurance, unemployment insurance, work-related injury insurance, childbirth insurance and housing accumulation funds according to the applicable regulations. In addition to statutory contributions, the Group provides annual bonuses and supplemental commercial insurance policies to employees. Each entity within the Group enters into an employment contract with each of its respective employees in accordance with the applicable PRC laws. Such contracts include provisions on wages, vacation, employee benefits, training programmes, health and safety, confidentiality obligations and grounds for termination.

## RISK MANAGEMENT

The Group has established a sound risk management mechanism to ensure compliance with regulatory requirements and to implement various risk control measures to lower operational and investment risks. The risk management system covers different aspects of the Group's operations, including but not limited to budget management, working capital management, subcontractor management, remuneration, occupational safety and implementation of internal control measures. Each level and department of the Group is well informed of the Group's internal control and risk management policies. The systematic approach adopted by the Group has helped the Group manage its business in a disciplined manner.

## INSURANCE

The Group is covered by insurance policies which cover losses caused by fire, flood, riot, strike and malicious damage. The Group also maintains different types of insurance policies to cover its operations. The Group believes that its properties are covered by adequate insurance provided by reputable independent insurance companies and with commercially reasonable deductibles and limits on coverage which are normal for the type and location of the assets and properties to which they relate.

## COMPETITION

The Group believes that it has little competition with other companies in Changsha given its exclusive market position and the different business segments it operates from other companies in the city. The Group focuses on as primary land development, municipal road and infrastructure construction, property management and services and other ancillary businesses within Xiangjiang New Area. The Group considers that the ability to successfully compete depends on a number of factors, including but not limited to the project management capabilities, capital and access to capital, quality control, pricing, risk management, reputation and management personnel. Given the Group's established and leading market position and strong support from the Changsha Xiangjiang New Area Management Committee, and the



Changsha Municipal Government and the Hunan Provincial Government, the Group believes that it is well positioned to compete with other companies successfully in those areas where it may see competition.

## **LEGAL COMPLIANCE**

The Group is required to obtain and maintain valid permits, licences and certificates from various governmental authorities to conduct the Group's business. As at the date of this Offering Circular, the Group has obtained and maintained all permits, licences and certificates material to its operations.

The Group may from time to time be involved in legal proceedings arising in the ordinary course of its business, including as plaintiff or defendant in litigation or arbitration proceedings. As at the date of this Offering Circular, to the best of its knowledge and after due inquiry, no member of the Group is aware of any current or pending litigation or arbitration proceedings against the Group or any of its senior management team members that could have a material adverse effect on the business, financial condition and results of operations of the group.

## **RECENT DEVELOPMENTS**

For the nine months ended 30 September 2018, the Group's total operating revenue decreased as compared to the same period in 2017. The main reason for this is due to the decrease in the sale of the developed land parcels by the Hunan Xiangjiang New Area Land Resources Centre as a result of the changes in the land policy of Changsha Municipal Government in 2018 which brought in the decrease in the revenue the Group recognized from its primary land development business, as well as due to decreased construction fees through assets purchase from Xiangjiang New Area Management Committee which brought in the decrease in the revenue the Group recognized from its municipal road and infrastructure construction business. During the same period, the decrease in the Group's total operating cost is primarily in line with the trend of its total operating revenue, and further given that the Group's previous investment in Meixi Lake Area was close to final by the end of 2017 and Dawang Mountain Area remained stable. The cash flows from operating activities increased significantly for the nine months ended 30 September 2018 as compared to the same period in 2017, which reflected the continual and strong local government support to our business and financial operation primarily through other cash receipts related to operating activities and cash receipts from sale of goods or rendering of services. In addition, the Group's cash and bank balances increased as at 30 September 2018 as compared to as at 31 December 2017, whereas the accounts receivable decreased during the same period. The Group is strategically accumulating assets and diversify its financing portfolio for better supporting its main business.

On 25 June 2018, Hunan Xiangjiang New Area Investment Group Co., Ltd. published an announcement on the website of the Shanghai Stock Exchange stating that Hunan Xiangjiang New Area Municipal Construction Investment Co., Ltd. is to be merged with the Hunan Xiangjiang New Area Investment Group Co., Ltd. including all of its assets, however its liabilities are intended to be transferred to the Issuer. As at the date of the offering circular, this transaction is still undergoing relevant regulatory approval procedures with the Changsha SASAC. The Group does not control the timing or value of these asset injections and restructurings. Please see "Risks Relating to The Group's Business – The Issuer's Controlling Shareholder is Able to Exercise Substantial Influence over The Issuer's Corporate Policies, Strategies and Operations, and May Direct The Outcome of Its Corporate Actions".

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### BOARD OF DIRECTORS

The Board of Directors is the Issuer's decision-making body and is responsible for a number of matters, including decision-making regarding significant events of the Issuer, operational and investment plans, budget plans, profit distribution plans, asset write-off, registered capital, debt offering, internal control, internal rules and other matters as described in the Issuer's articles of association.

According to the Issuer's articles of association, members of the Issuer's board of directors are appointed by Xiangjiang New Area Management Committee. Directors serve three-year terms and upon completion of their term, a director may be re-appointed or re-elected.

The following table sets out the current members of the Board of Directors, their respective position and age.

<u>Name</u>	<u>Age</u>	<u>Title</u>
Mr. Zhang Ligang . . . . .	37	Chairman, Secretary of the Party Committee, Legal Representative
Mr. Liu Wenjie. . . . .	56	General Manager, Director, Vice Secretary of the Party Committee
		Deputy General Manager, Director, Vice Secretary of the Party
Mr. Xie Jiyong . . . . .	45	Committee
Ms. Yang Shulan. . . . .	44	Deputy General Manager, Director, Member of the Party Committee

**Mr. Zhang Ligang** (張利剛) is the Chairman, Secretary of the Party Committee and Legal Representative of the Issuer. Mr. Zhang joined the Issuer in 2016. Prior to joining the Issuer, Mr. Li had served as the vice chairman and the secretary of the Party Committee of Changsha Pilot Investment Holdings Group Co., Ltd. (長沙先導投資控股有限公司). Mr. Zhang holds a master's degree in agriculture development.

**Mr. Liu Wenjie** (劉文杰) is the General Manager, Director and Vice Secretary of the Party Committee of the Issuer. Mr. Liu joined the Issuer in 2016. Prior to joining the Issuer, Mr. Zheng had served as the director of the Financial Bureau of Kaifu District of Changsha Municipality and the deputy general manager and the vice secretary of the Party Committee of Changsha Qingzhu Lake Ecological Technology (Industry) Park (長沙青竹湖生態科技(產業)園). Mr. Liu concurrently serves as the legal representative of Meixihu Investment (Changsha) Co., Ltd. (梅溪湖投資(長沙)有限公司). Mr. Liu holds a bachelor's degree in business management.

**Mr. Xie Jiyong** (謝冀勇) is the Deputy General Manager, Director and Vice Secretary of the Party Committee of the Issuer. Mr. Xie joined the Issuer in 2016. Prior to joining the Issuer, Mr. Xie had served as the vice director of the finance department of Changsha Huanlu Construction Development Co., Ltd. (長沙市環路建設開發公司) and the deputy general manager and chief accountant of Hunan Investment Group Co., Ltd. Mr. Xie concurrently serves as the legal representative of Hunan Xiangjiang New Area Investment Group Co., Ltd. (湖南江新區投資集團有限公司). Mr. Xie holds a bachelor's degree in business management.

**Ms. Yang Shulan** (楊淑嵐) is the Deputy General Manager, Director and Member of the Party Committee of the Issuer. Ms. Yang joined the Issuer in 2016. Prior to joining the Issuer, Ms. Yang had served as the secretary to the general office of the Transport Bureau of Changsha Municipality, the office director of the party committee of Hunan Investment Group Co., Ltd and director and the secretary to the board of directors of Changsha Water Group Co., Ltd. (長沙市水業集團有限公司). Ms. Yang holds a master degree in business management.

## BOARD OF SUPERVISORS

According to the articles of association of the Issuer, the Board of Supervisors is primarily responsible for inspecting the financials, overseeing instances of any violation of laws, rules, any breach of the memorandum or articles of association by the Directors and management personnel of the Issuer, rectifying actions by Directors and management personnel that may harm the Issuer's interest and proposing the convening of interim board meetings. Supervisors serve three-year terms.

The following table sets out the current members of the Board of Supervisors of the Issuer, their respective position on the Board of Supervisors and their age.

<u>Name</u>	<u>Age</u>	<u>Title</u>
Mr. Li Zhijun . . . . .	46	Chairman of the Board of Supervisors, Member of the Party Committee, Chairman of the Labour Union
Mr. Zheng Lixin . . . . .	51	Member of the Board of Supervisors

**Mr. Li Zhijun (李志軍)** is the Chairman of the Board of Supervisors and Member of the Party Committee and Chairman of the Labour Union of the Issuer. Mr. Wang joined the Issuer in 2016. Prior to joining the Issuer, Mr. Wang had served as deputy division chief and director of the information division of the Changsha Municipal Committee of CPC and assistant researcher, assistant to the director of the general management department and the secretary of the Party Committee of the Xiangjiang New Area Management Committee. Mr. Li holds a college diploma in mathematics.

**Mr. Zheng Lixin (鄭立新)** is a member of the Board of Supervisors of the Issuer. Mr. Zheng joined the Issuer in 2017. He previously served Hunan Provincial Power Engine Plant, Hunan Provincial Powertrain Group (for which he was a member of the party committee and director-cum-deputy general manager) and Hunan Dongli Group. He was also the liaison chief for Hunan powertrain of the joint resident team (Kaifu district) for state-owned restructured enterprises in Changsha. Mr. Zheng holds a bachelor's degree.

## SENIOR MANAGEMENT

According to the articles of association of the Issuer, the Issuer's senior management team includes a General Manager and Deputy General Managers. The General Manager and Deputy General Managers are appointed by the Board of Directors of the Issuer.

The following table sets out current senior management of the Issuer, their respective position and their age.

<u>Name</u>	<u>Age</u>	<u>Title</u>
Mr. Liu Wenjie . . . . .	56	General Manager, Director, Vice Secretary of the Party Committee
Mr. Xie Jiyong . . . . .	45	Deputy General Manager, Director, Vice Secretary of the Party Committee
Ms. Yang Shulan . . . . .	44	Deputy General Manager, Director, Member of the Party Committee
Mr. Xu Fengmao . . . . .	47	Chief Engineer, Member of the Party Committee
Mr. Dai Xu . . . . .	42	Chief of the Disciplinary Committee, Member of the Party Committee
Ms. Luo Aiying . . . . .	43	Member of the Party Committee
Mr. Fang Dianfeng . . . . .	48	Chief Human Resources Officer

For details regarding **Mr. Liu Wenjie**, see “– Board of Directors” above.

For details regarding **Mr. Xie Jiyong**, see “– Board of Directors” above.

For details regarding **Ms. Yang Shulan**, see “– Board of Directors” above.

**Mr. Xu Fengmao (徐風茂)** is the Chief Engineer and Member of the Party Committee of the Issuer. Mr. Xu joined the Issuer in 2016. Prior to joining the Issuer, Mr. Xu had served as an on-site construction worker of Shijiazhuang-Changsha Railway Bridge Construction Headquarters Project (石長鐵路大橋建設指揮部項目) and chief engineer and member of the Party Committee of Changsha Furong Industry Company (長沙市芙蓉實業公司). Mr. Xu holds a bachelor's degree in architecture.

**Mr. Dai Xu (戴旭)** is the Chief of the Disciplinary Committee and Member of the Party Committee of the Issuer in 2017. Prior to joining the Issuer, Mr. Dai had served as the deputy chief of the research division, deputy director of the organisation department, director of the general office, member of the Party Committee and chief of the disciplinary section of the Communist Youth League Changsha Committee. Mr. Dai holds a bachelor's degree.

**Ms. Luo Aiying (羅愛英)** is a Member of the Party Committee of the Issuer. She previously served as chief, policy and legislation division of Changsha Environmental Protection Bureau, an associate researcher of Xiangjiang New Area Management Committee and assistant director of the Land Planning Department of Xiangjiang New Area Management Committee. She also once served the director-cum-general manager of Hunan Xiangjiang New Area Investment Group Co., Ltd. and legal representative of Hunan Xiangxin Waterworks Investment Co., Ltd. Ms. Luo holds a bachelor's degree in environmental engineering.

**Mr. Fang Dianfeng (房殿峰)** is the Chief Human Resources Officer of the Issuer. Mr. Fang joined the Issuer in 2016. Prior to joining the Issuer, Mr. Fang had served as the human resources manager of Enric Group Limited (安瑞科集團有限公司), senior manager of the office to the board of directors of China Travel Service (Holding) Hong Kong Limited and chief administration and human resources officer of Guangdong Haid Group Co., Ltd. Mr. Fang holds a master's degree in business management.

## PRC REGULATIONS

*This section is a high-level overview of the PRC legal system and a summary of the principal PRC laws and regulations relevant to the issue of the Bonds 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 Strengthening Fiscal Financial Management of Government Invested Projects Construction Agency System (財政部關於切實加強政府投資項目代建制財政財務管理有關問題的指導意見), which was issued by the Ministry of Finance of the PRC on 16 September 2004 and was repealed on 1 September 2016, the construction agency established (or authorised to be established) by the government can be deemed as a department of the government and can directly prepare annual investment plan and annual budget for city infrastructure construction. In accordance with Guidance on Further Strengthening Adjustment of Credit Structure to Promote Fast and Smooth Development of National Economy (中國人民銀行、中國銀行業監督管理委員會關於進一步加強信貸結構調整促進國民經濟平穩較快發展的指導意見) issued jointly by the PBOC and CBRC in March 2009, local governments are encouraged to establish financing platforms to issue financing instruments such as enterprise bonds and medium term notes. In order to strengthen the management of financing platforms and effectively prevent fiscal financial risks, Circular 19 and Circular 2881 were separately promulgated in June 2010 and November 2010, respectively. In accordance with Circular 19, all levels of local governments shall clear up the debts of their respective financing platform. In accordance with Circular 2881, indebtedness of local governments will impact financing platform's issuance of enterprise bonds.

To effectively regulate the construction of public works projects financed by local governments through the BT business model, the Ministry of Finance, NDRC, the PBOC and CBRC jointly promulgated Circular 463 on 24 December 2012. According to Circular 463, all levels of local governments and their government departments and offices generally shall not incur government debts through agent-construction projects on BT business model basis where repurchase fee would be paid in instalments. For public works projects which are eligible for incurring government debts, Circular 463 makes it clear that the government must carefully plan the construction scale and the repurchase schedule in accordance with the construction plan of the relevant project and the repayment ability of the government itself if the relevant project is to be constructed on BT business model basis. Since 18 August, 2016, Circular 463 has been invalidated.

On 21 September 2014, Circular 43 was promulgated by the State Council. Circular 43 aims at regulating financing system of local government and the three channels are presented. In accordance with Circular 43, financing platforms shall no longer serve the fiscal financing functions nor incur new government debts. Public interest projects may be funded by the government through issuing government bonds, since the new Budget Law of the PRC (the “**New Budget Law**”), which took effect on 1 January 2015, empowers local governments to issue government bonds, and public interest projects with income generated, such as city infrastructure construction, may be operated independently by social investors or jointly by the government and social investors through the establishment of special purpose companies. Social investors or such special purpose companies shall invest in accordance with market-oriented principles and may be funded by, among other market-oriented approaches, bank loans, enterprise bonds, project revenue bonds and asset-backed securitisation. Social investors or the special purpose companies shall bear the obligation to pay off such debts and the government shall not be liable for any of the social investors’ or special purpose companies’ debts. Circular 43 also sets forth the general principles of dealing with existing debts of financing platforms. Based on the auditing results of such debts run by the local governments, the existing debts that should be repaid by the local governments shall be identified, reported to State Council for approval, and then included in the budget plan of local governments.

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

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

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



premise of compliance with laws and regulations and standard administration, make overall arrangements for various kinds of capitals such as fiscal capital and social capital and ensure the continuation and completion of projects under construction. For the projects under construction of financing platform companies for which the loan amount in the contracts that have been signed fails to meet the construction needs, if it is suitable for them to adopt government and social capital cooperation mode, they shall prioritise such mode to make up the needs. And if they are in compliance with the relevant state provisions without any other funding sources for construction, but temporarily the government and social capital cooperation mode is not suitable, the increment financing needs shall be incorporated into government budget management and solved through issuing government bonds by local governments as required by laws and relevant regulations.

- *Administer in an effective and proper manner follow-up financing for projects under construction.* Banking financial institutions shall carefully check the destinations of the loans, and focus on supporting the projects under construction of financing platform companies in respects such as farmland water conservancy facilities, affordable housing projects and urban railway systems.
- *Improve supporting measures.* Under the premise of ensuring fiscal expenditure needs, in the regions where there are corresponding amount of government bonds issuance and where the treasury balances exceed the treasury payment for one and a half months, the local financial departments are allowed to, within the limit of the amount of government bonds issuance, make more efforts to effectively use the stock of fiscal funds in the previous years and use the surplus amount of the treasury for capital flow before government bond issuance, so as to address the time difference between the financing for projects under construction and government bonds issuance.

### **Regulation on the Issuance of Foreign Bonds**

Pursuant to the NDRC Circular, which was promulgated by the NDRC and became effective on 14 September 2015, where domestic enterprises, overseas enterprises controlled by them or their overseas branches issue foreign debts, which are debt instruments of no less than one year of tenor that are denominated in domestic currency or foreign currency with the capital repaid and interest paid as agreed, including bonds issued overseas and long and medium-term international commercial loans, the enterprises shall apply to the NDRC for dealing with the formalities of record-filing and registration before issuance. The NDRC shall decide to accept it or not within five working days upon the receipt of the application and provide the Record-filing and Registration Certification of Issuance of Foreign Debts by Enterprises within seven working days after acceptance. The enterprises shall submit the issuance information to the NDRC within 10 working days after the end of issuance each time.

### **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, 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, Administrative Measures for the Bidding and Tendering of Design of Construction Projects (建設工程設計招標投標管理辦法) issued by MOC on 18 October 2000 and became effective on the same date, Provisions on the Tendering Scope and Scale Standards of Construction Projects (工程建設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 Administrative Measures for the Bidding and Tendering of Highway Engineering Construction (公路工程施工招標投標管理辦法) promulgated by MOT on 23 June 2006 which became effective on 1 August 2006.

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, 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, Interim Measures for the Administration of Quality Warranty Funds of Construction Projects (建設工程質量保證金管理暫行辦法) issued jointly by MOC and MOF on 12 January 2005 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 on 5 September 2014 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) promulgated by SCNPC on 28 October 2002 which became effective on 1 September 2003, 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 Administrative Measures for Environmental Protection Acceptance of Construction Projects upon Completion (建設項目竣工環境保護驗收管理辦法) promulgated by SEPA on 27 December 2001 which became effective on 1 February 2002 and amended on 22 December 2010 which amendment became effective on the same date.

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

### **Environmental Protection**

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

#### ***Air Pollution***

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

#### ***Water Pollution***

The Water Pollution Prevention Law (水污染防治法), promulgated on 11 May 1984 by the Standing Committee of the National People's Congress, which became effective on 1 November 1984, and amended on 15 March 1996 and 28 February 2008, 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), promulgated by the Standing Committee of the National People's Congress on 29 October 1996, which 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), promulgated by the Standing Committee of the National People's Congress on 28 October 2002, which became effective on 1 September 2003, the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例), promulgated by the State Council on 29 November 1998, which became effective on 29 November 1998, and the Measures for the Administration of Examination and Approval of Environmental Protection Facilities of Construction Projects (建設專案竣工環境保護驗收管理辦法), promulgated by the Ministry of Environmental Protection on 27 December 2001, which became effective on 1 February 2002, require enterprises planning construction projects to engage qualified professionals to provide assessment reports on the environmental impact of such projects. The assessment report shall be filed with and approved by the relevant environmental protection bureau, prior to the commencement of any construction work. The construction project shall not commence operation, unless inspected and approved by the relevant environmental protection bureau.

### ***Labour***

#### ***Employment Contracts***

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

#### ***Employee Funds***

Under applicable PRC laws, regulations and rules, including the Social Insurance Law (社會保險法), promulgated by the Standing Committee of the National People's Congress on 28 October 2010, which became effective on 1 July 2011, 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) effective from 1 May 2014 and 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 U.S.\$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 U.S.\$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 U.S.\$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 U.S.\$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 NDRC Circular, 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.

The NDRC Circular relates to the matters as listed below:

- remove the quota review and approval system for the issuance of foreign debts by enterprises, reform and innovate the ways that foreign debts are managed, and implement the administration of record-filing and the registration system. Realise the supervision and administration of the size of foreign debts borrowed on a macro level with the record-filing, registration, and information reporting of the issuance of foreign debts by enterprises;
- before the issuance of foreign debts, enterprises shall first apply to the NDRC for the handling of the record-filing and registration procedures and shall report the information on the issuance to NDRC within 10 working days of completion of each issuance;
- record-filing and registration materials to be submitted by an enterprise for the issuance of foreign debts shall include: application report for the issuance of foreign debts and issuance plan, including the currency, size, interest rate, and maturity of foreign debts, the purpose of the funds raised, back flow of funds, etc. The applicant shall be responsible for the authenticity, legality, and completeness of the application materials and information;



- the NDRC shall decide whether to accept the application for record-filing and registration within 5 working days of receiving it and shall issue a Certificate for Record-filing and Registration of the Issuance of Foreign Debts by Enterprises within seven working days of accepting the application and within the limit of the total size of foreign debts;
- the issuer of foreign debts shall handle the procedures related to the outflow and inflow of foreign debt funds with the Certificate for Record-filing and Registration according to the regulations. When the limit of the total size of foreign debts is exceeded, the NDRC shall make a public announcement and no longer accept applications for record-filing and registration;
- if there is a major difference between the actual situation of the foreign debts issued by the enterprises and the situation indicated in the record-filing and registration, an explanation shall be given when reporting relevant information. The NDRC shall enter the poor credit record of an enterprise which maliciously and falsely reports the size of its foreign debts for record-filing and registration into the national credit information platform.

## MOFCOM SUPERVISION

MOFCOM issued the new version of the Overseas Investment Administration Rules (境外投資管理辦法) on 6 September 2014, effective from 6 October 2014 (the “New Overseas Investment Rules”). Under the New Overseas Investment Rules, a domestic enterprise intending to carry out any overseas investment shall report to the competent department of commerce for verification or filing and the competent department of commerce shall, with regard to an enterprise so verified or filed, issue thereto an Enterprise Overseas Investment Certificate (企業境外投資證書). If two or more enterprises make joint investment to establish an overseas enterprise, the larger (or largest) shareholder shall be responsible for the verification or filing procedure after obtaining written consent of other investing parties.

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

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

MOFCOM or the provincial department of commerce shall accept the filing and issue the Enterprise Overseas Investment Certificate within three working days upon receipt of such filing form.



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

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

### **Foreign Exchange Administration**

According to 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.

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

On 12 January 2017, the PBOC issued the Circular of the People's Bank of China on Implementation of the Macro-prudence Management of Cross-border Financing in Full Aperture (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)(the “**Cross Border Financing Circular**”), which came into effect on the same date. The Cross Border Financing Circular established a mechanism aimed at regulating cross border financing activities based on the capital or net asset of the borrowing entities using a prudent management principle on a macro nationwide scale. The Issuer has confirmed with the local counterpart of SAFE that the Cross Border Financing Circular is not applicable to the Issuer since it is regarded a financing platform of a local government.

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

The Interim Measures for Administration of Overseas State-owned Property Rights of Central Enterprises (中央企業境外國有產權管理暫行辦法) and the Interim Measures for the Supervision and Administration of Overseas State-owned Assets of Central Enterprises (中央企業境外國有資產監督管理暫行辦法) also apply to overseas investment projects. Where overseas enterprises wholly owned or

controlled by central enterprises or their subsidiaries at all levels conduct economic activities such as transferring or acquiring properties, making non-monetary contribution, changing the state-owned shareholding in non-listed companies, consolidation, division, dissolution or liquidation, they shall appoint a professional agency with the corresponding qualifications, professional experiences and good reputation to evaluate or assess the subject matters, and the evaluation items or valuation results shall be submitted to SASAC for record-filing or approval (as the case may be).

Pursuant to the Interim Measures for Administration of Overseas State-owned Property Right of Central Enterprises, the central enterprise shall, in a unified way, apply for property right registration with the SASAC, where any of the following events take place in connection with a central enterprise or its subsidiaries at all levels:

- (1) where an overseas enterprise is established by way of investment, division or consolidation, or the property right of an overseas enterprise is obtained for the first time by way of acquisition or equity investment;
- (2) where any change occurs to an overseas enterprise's basic information including its name, registration place, registered capital and the main business scope, or the overseas enterprise's property right information changes due to any changes in the capital contributors, amount of capital contributions and proportions of capital contributions;
- (3) where an overseas enterprise no longer keeps state-owned property right due to dissolution, bankruptcy, or property right transfer and capital reduction; or
- (4) other circumstances in which property right registration needs to be made.

## TAXATION

*The following summary of certain tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any Bondholder 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 China for PRC tax purposes. These beneficial owners are referred to as non-PRC Bondholders in this “Taxation-PRC” section. In considering whether to invest in the Bonds, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.*

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

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 or 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. Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Bonds by enterprise holders would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, under the IIT Law, any individual who has no domicile and does not live within the territory of the PRC or who has no domicile but has lived within the territory of China for less than one year shall pay individual income tax for any income obtained within the PRC. There is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted

from the income. According to the Arrangement, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

On 23 March 2016, the Ministry of Finance and the State Administration of Taxation issued Circular 36, which introduced a new VAT from 1 May 2016. Under Circular 36, VAT is applicable where the entities or individuals provide services within the PRC. The operating income generated from the provision of taxable sale of services by entities and individuals, such as financial services, shall be subject to PRC VAT if the seller or buyer of the services is within PRC. In the event that foreign entities or individuals do not have a business establishment in the PRC, the purchaser of services shall act as the withholding agent. According to the Explanatory Notes to Sale of Services, Intangible Assets and Real Property attached to Circular 36, financial services refer to the business activities of financial and insurance operation, including loan processing services, financial services of direct charges, insurance services and the transfer of financial instruments, and the VAT rate is 6 per cent. Accordingly, the interest and other interest like earnings received by a non-PRC resident Bondholder from the Issuer will be subject to PRC VAT at the rate of 6 per cent. The Issuer will be obligated to withhold VAT of 6 per cent. and certain surcharges on VAT for payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-resident enterprises or individuals. And as the withholding agent, the Issuer shall calculate the withholding tax according to the following formula:  $\text{withholding tax} = \text{price paid by the purchaser} \div (1 + \text{tax rate}) \times \text{tax rate}$ . Pursuant to Interim Regulation of the PRC on City Maintenance and Construction Tax (中華人民共和國城市維護建設稅暫行條例(2011修訂)), Interim Provisions on the Collection of Educational Surcharges (徵收教育費附加的暫行規定(2011修訂)), Notice of the Ministry of Finance on the Relevant Matters regarding Unifying the Policies on Local Education Surcharges (財政部關於統一地方教育附加政策有關問題的通知), Management Measures of Educational Surcharge and Local Educational Surcharge in Hunan Province (湖南省教育費附加和地方教育附加徵收管理辦法), Notice on the Adjustment of Local Educational Surcharge Standards issued by Hunan Provincial Finance Department and Hunan Provincial Taxation Bureau (湖南省財政廳、湖南省地方稅務局關於調整地方教育附加徵收標準的通知) and based on consultation with the Changsha local taxation bureau, a (city maintenance and construction tax (7 per cent., for a taxpayer whose domicile is in an urban area), an educational surcharge (3 per cent.) and a local educational surcharge (2 per cent.) will be applicable when entities and individuals are obliged to pay VAT (for an aggregate of 12 per cent. on any VAT payable)). However, there is uncertainty as to whether gains derived from a sale or exchange of Bonds consummated outside of the PRC between non-PRC resident Bondholders will be subject to PRC VAT. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

However, despite the withholding of the PRC tax by the Issuer, the Issuer has agreed to pay additional amounts to holders of the Bonds so that holders of the Bonds would receive the full amount of the scheduled payment, as further set out in “Terms and Conditions”.

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 is payable in Hong Kong in respect of payments of principal, premium (if any) or interest in respect of the Bonds or in respect of any capital gains arising from the sale of the Bonds.

## **Profits tax**

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

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, professional or business carried on in Hong Kong in the following circumstances:

- 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
- interest on the Bonds is derived from Hong Kong and is received by or accrues to a company (other than a financial institution) carrying on a trade, profession or business in Hong Kong; or
- interest on the Bonds is derived from Hong Kong and is received by or accrues to a person (other than a company) 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 sums have 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 Hong Kong profits tax.

## **Stamp Duty**

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

## **Estate Duty**

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

## **FATCA**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The issuer may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Bonds.

## SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Managers dated 2018 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Managers, and the Managers have agreed to, severally but not jointly, subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds indicated in the following table:

	<b>Principal amount of the Bonds to be subscribed</b>
	<i>U.S.\$</i>
Standard Chartered Bank . . . . .	
CEB International Capital Corporation Limited . . . . .	
Industrial Bank Co., Ltd. Hong Kong Branch . . . . .	
<b>Total</b> . . . . .	_____

The Subscription Agreement provides that the Managers and their 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 Managers are subject to certain conditions precedent, and entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Managers and certain of their respective subsidiaries or affiliates have performed certain investment banking and advisory services for, and entered 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. The Managers and their 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, the Managers and/or their 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 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. The Managers or their 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 Managers appointed and acting in its capacity as a Stabilisation Manager or any person acting on behalf of the Stabilisation 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 Stabilisation Manager or any person acting on behalf of the Stabilisation Manager shall act as principal and not as agent of the Issuer. However, there is no assurance that the Stabilisation Manager or any person acting on behalf of the Stabilisation 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, and must end no later than the earlier of



30 days after the Issue Date of the Bonds and 60 days after the date of the allotment of the Bonds. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Stabilisation Manager.

### **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 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 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 Managers. If a jurisdiction requires that an offering of Bonds be made by a licensed broker or dealer and the Managers or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by the 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, subject to certain exceptions, may not be offered or sold within the United States. The Bonds are being offered and sold outside of the United States in reliance on Regulation S. In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirement of the Securities Act.

### **United Kingdom**

Each of the Managers has represented, warranted and agreed that:

- (i) 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
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

## **Hong Kong**

Each of the Managers has represented, warranted and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to Professional Investors; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong 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.

## **The People’s Republic of China**

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

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

- (i) 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
- (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and 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; or
- (4) as specified in Section 276(7) of the SFA.

In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined the classification of the Bonds as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

### **Japan**

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each of the Managers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

## **SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS**

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

### **Government Grant**

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

### **Reversal of Impairment Loss**

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

### **Related Party Disclosures**

Under PRC GAAP, government-related entities are not treated as related parties.

Under IFRS, government-related entities are still treated as related parties.

### **Fixed Assets and Intangible Assets**

Under PRC GAAP, only the cost model is allowed.

Under IFRS, an entity can choose either the cost model or the revaluation model as its accounting policy.

## GENERAL INFORMATION

- Clearing System:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 189712863 and the ISIN for the Bonds is XS1897128630. The Legal Entity Identifier (LEI) code of the Issuer is 3003006FUIR75O7YBO67.
- Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by board resolutions of the Issuer dated 21 February 2017, and shareholders' resolutions of the Issuer dated 17 July 2017. PRC counsels to the Issuer and PRC counsels to the Managers have advised that no other approvals or consents are required from any regulatory authorities or other relevant authorities in the PRC for the Issuer to issue the Bonds except for (i) the submission of the Bonds for registration with the local counterpart of SAFE within 15 Registration Business Days after the Issue Date and (ii) the filing of the requisite information and documents with the NDRC within the specific timeframe after the Issue Date. For consequences of non-registration, see "*Risk Factors – Risks Relating to the Bonds – Any failure to complete the relevant filings under the NDRC Notice and the relevant registration under SAFE within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Issuer and/or the investors of the Bonds*".
- No Material and Adverse Change:** Except for otherwise disclosed in this Offering Circular, there has been no material adverse change, or any development or event involving a prospective change, in the condition (financial or other), prospects, results of operations or general affairs of the Issuer or the Group, which is material and adverse in the context of the issue and offering of the Bonds since 31 December 2017.
- Litigation:** None of the Issuer or any member of the Group is involved in any litigation or arbitration proceedings which could have a material and adverse effect on their businesses, results of operations and financial condition nor is the Issuer aware that any such proceedings are pending or threatened. The Issuer may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of its business.
- Available Documents:** So long as any Bond is outstanding, copies of the Issuer's audited consolidated financial statements as at and for the year ended 31 December 2016 and 2017 (subject to the same having been provided by the Issuer to the Trustee and the Principal Paying Agent), the Trust Deed and the Agency Agreement relating to the Bonds will be available for inspection from the Issue Date at all reasonable times during normal business hours at the principal place of business of the Trustee, being at the date of this Offering Circular at Level 30, HSBC Main Building, 1 Queen's Road Central, Hong Kong, and at the specified office of the Principal Paying Agent from time to time following prior written request and proof of holding satisfactory to the Trustee or, as the case may be, the Principal Paying Agent.
- Financial Statements:** The Issuer's consolidated financial statements, which are included elsewhere in this Offering Circular, have been audited by Pan-China as stated in its reports dated 5 April 2017 and 19 April 2018.
- Listing of Bonds:** Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on or about .

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## Auditor's Report

PCCPAAR [2018] No. 2-324

To the Shareholders of Hunan XiangJiang New Area Development Group Co., Ltd.:

### I. Audit Opinion

We have audited the accompanying financial statements of Hunan XiangJiang New Area Development Group Co., Ltd. (the "Company"), which comprise the consolidated and parent company balance sheets as at December 31, 2017, the consolidated and parent company income statements, the consolidated and parent company cash flow statements, and the consolidated and parent company statements of changes in equity for the year then ended, as well as notes to financial statements.

In our opinion, the attached financial statements present fairly, in all material respects the financial position of the Company as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with China Accounting Standards for Business Enterprises.

### II. Basis for Audit Opinion

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

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

The Management is responsible for preparing and presenting fairly the financial statements in accordance with China Accounting Standards for Business Enterprises, as well as designing, implementing and maintaining internal control relevant to the

preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

#### **IV. Certified Public Accountants' Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We exercise professional judgement and maintain professional skepticism throughout the audit performed in accordance with China Standards on Auditing. We also:

(I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

(III) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

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

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

(VI) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding the planned audit scope, time schedule and significant audit findings, including any deficiencies in internal control of concern that we identify during our audit.

Pan-China Certified Public Accountants LLP



Chinese Certified Public Accountant

魏军印五

Chinese Certified Public Accountant

蒋玲印玲

Date of Report: April 19, 2018

*The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These 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. In case the English version does not conform to the Chinese version, the Chinese version prevails.*



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<b>III. Notes to Financial Statements</b>	<b>Page 16-67</b>

# Auditor's Report

PCCPAAR [2018] No. 2-324

To the Shareholders of Hunan XiangJiang New Area Development Group Co., Ltd.:

## **I. Audit Opinion**

We have audited the accompanying financial statements of Hunan XiangJiang New Area Development Group Co., Ltd. (the "Company"), which comprise the consolidated and parent company balance sheets as at December 31, 2017, the consolidated and parent company income statements, the consolidated and parent company cash flow statements, and the consolidated and parent company statements of changes in equity for the year then ended, as well as notes to financial statements.

In our opinion, the attached financial statements present fairly, in all material respects the financial position of the Company as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with China Accounting Standards for Business Enterprises.

## **II. Basis for Audit Opinion**

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

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

The Management is responsible for preparing and presenting fairly the financial statements in accordance with China Accounting Standards for Business Enterprises, as well as designing, implementing and maintaining internal control relevant to the

preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

#### **IV. Certified Public Accountants' Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We exercise professional judgement and maintain professional skepticism throughout the audit performed in accordance with China Standards on Auditing. We also:

(I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



(III) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

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

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

(VI) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding the planned audit scope, time schedule and significant audit findings, including any deficiencies in internal control of concern that we identify during our audit.

Pan-China Certified Public Accountants LLP

Chinese Certified Public Accountant

Hangzhou ·China

Chinese Certified Public Accountant

Date of Report: April 19, 2018

*The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These 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. In case the English version does not conform to the Chinese version, the Chinese version prevails.*

Hunan XiangJiang New Area Development Group Co., Ltd.  
 Consolidated balance sheet as at December 31, 2017  
 (Expressed in Renminbi Yuan)

Assets	Note No.	Closing balance	Opening balance
<b>Current assets:</b>			
Cash and bank balances	1	3,078,140,595.94	3,954,410,435.62
Settlement funds			
Loans to other banks			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable	2	1,446,586,899.31	1,688,592,035.21
Advances paid	3	558,209,751.67	489,656,563.03
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance reserve receivable			
Interest receivable		17,712,500.00	263,391.77
Dividend receivable			
Other receivables	4	1,527,387,698.47	606,182,645.87
Reverse-REPO financial assets			
Inventories	5	40,482,270,449.45	34,397,802,979.25
Assets classified as held for sale			
Non-current assets due within one year		23,495.00	
Other current assets	6	593,123,807.46	76,214,842.63
<b>Total current assets</b>		<b>47,703,455,197.30</b>	<b>41,213,122,893.38</b>
<b>Non-current assets:</b>			
Loans and advances paid			
Available-for-sale financial assets	7	20,000,000.00	
Held-to-maturity investments			
Long-term receivable			
Long-term equity investments	8	443,159,745.36	103,419,745.13
Investment property	9	1,189,486,492.68	1,221,685,067.76
Fixed assets	10	15,027,296.54	17,576,198.34
Construction in progress	11	3,956,959,756.49	2,745,839,849.24
Construction materials			
Fixed assets disposal			
Productive biological assets			
Oil & gas assets			
Intangible assets	12	1,845,995,280.19	1,462,914,317.64
Development expenditures			
Goodwill			
Long-term prepayments			120,268.32
Deferred tax assets			
Other non-current assets	13	179,575,372.12	390,089,512.62
<b>Total non-current assets</b>		<b>7,650,203,943.38</b>	<b>5,941,644,959.05</b>
<b>Total assets</b>		<b>55,353,659,140.68</b>	<b>47,154,767,852.43</b>

Hunan XiangJiang New Area Development Group Co., Ltd.  
Consolidated balance sheet as at December 31, 2017 (continued)  
(Expressed in Renminbi Yuan)

Liabilities & Equity	Note No.	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings	14	100,000,000.00	80,000,000.00
Central bank loans			
Absorbing deposit and interbank deposit			
Loans from other banks			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable	15	2,409,726,351.65	2,661,697,576.69
Advances received	16	5,394,506,920.31	6,127,182,545.98
Proceeds from sale of repurchase financial assets			
Handling fee and commission payable			
Employee benefits payable	17	41,972,241.51	35,082,124.55
Taxes and rates payable	18	12,934,919.14	6,580,248.54
Interest payable	19	244,923,597.84	162,548,469.04
Dividend payable			
Other payables	20	570,426,716.38	559,459,211.65
Reinsurance accounts payable			
Insurance policy reserve			
Deposit for agency security transaction			
Deposit for agency security underwriting			
Liabilities classified as held for sale			
Non-current liabilities due within one year	21	1,188,400,000.00	865,000,000.00
Other current liabilities			
Total current liabilities		9,962,890,746.83	10,497,550,176.45
Non-current liabilities:			
Long-term borrowings	22	7,606,320,250.00	1,460,000,000.00
Bonds payable	23	4,180,000,000.00	4,540,000,000.00
Including: Preferred shares			
Perpetual bonds			
Long-term payables	24	6,373,300,000.00	5,887,300,000.00
Long-term employee benefits payable			
Special payables	25	2,705,502,218.04	1,085,374,994.93
Provisions			
Deferred income	26	195,235,658.67	239,447,146.81
Deferred tax liabilities			
Other non-current liabilities	27	399,720,000.00	1,189,127,758.27
Total non-current liabilities		21,460,078,126.71	14,401,249,900.01
Total liabilities		31,422,968,873.54	24,898,800,076.46
Equity:			
Paid-in capital/Share capital	28	22,115,697,511.60	21,107,897,511.60
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	29	1,111,970,404.39	761,708,619.62
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve	30	21,621,802.07	
General risk reserve			
Undistributed profit	31	423,853,926.31	215,261,697.80
Total equity attributable to the parent company		23,673,143,644.37	22,084,867,829.02
Non-controlling interest		257,546,622.77	171,099,946.95
Total equity		23,930,690,267.14	22,255,967,775.97
Total liabilities & equity		55,353,659,140.68	47,154,767,852.43

Hunan XiangJiang New Area Development Group Co., Ltd.  
Parent company balance sheet as at December 31, 2017  
(Expressed in Renminbi Yuan)

Assets	Note No.	Closing balance	Opening balance
Current assets:			
Cash and bank balances		1,474,899,368.80	2,706,627,968.30
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable			
Advances paid			
Interest receivable		17,712,500.00	
Dividend receivable		303,081,125.08	
Other receivables	1	502,621,699.30	30,433,521.67
Inventories		345,625,510.00	
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets		201,320,666.85	424,924.55
Total current assets		2,845,260,870.03	2,737,486,414.52
Non-current assets:			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivable			
Long-term equity investments	2	26,411,556,078.33	22,177,049,646.65
Investment property			
Fixed assets		736,762.70	615,251.14
Construction in progress			
Construction materials			
Fixed assets disposal			
Productive biological assets			
Oil & gas assets			
Intangible assets		94,775.29	28,508.77
Development expenditures			
Goodwill			
Long-term prepayments			
Deferred tax assets			
Other non-current assets			
Total non-current assets		26,412,387,616.32	22,177,693,406.56
Total assets		29,257,648,486.35	24,915,179,821.08

Hunan XiangJiang New Area Development Group Co., Ltd.  
Parent company balance sheet as at December 31, 2017 (continued)  
(Expressed in Renminbi Yuan)

Liabilities & Equity	Note No.	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable		2,776,289.78	60,405.78
Advances received			
Employee benefits payable		7,800,000.00	2,813,285.85
Taxes and rates payable		11,764.67	154,535.40
Interest payable			
Dividend payable			
Other payables		4,970,251,964.51	3,813,505,380.17
Liabilities classified as held for sale			
Non-current liabilities due within one year		2,000,000.00	
Other current liabilities			
Total current liabilities		4,982,840,018.96	3,816,533,607.20
Non-current liabilities:			
Long-term borrowings		1,898,000,000.00	
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Long-term payables		90,000,000.00	
Long-term employee benefits payable			
Special payables			
Provisions			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		1,988,000,000.00	
Total liabilities		6,970,840,018.96	3,816,533,607.20
Equity:			
Paid-in capital/Share capital		22,115,697,511.60	21,107,897,511.60
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		11,732,135.05	11,732,135.05
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve		21,621,802.07	
Undistributed profit		137,757,018.67	-20,983,432.77
Total equity		22,286,808,467.39	21,098,646,213.88
Total liabilities & equity		29,257,648,486.35	24,915,179,821.08

Hunan XiangJiang New Area Development Group Co., Ltd.  
Consolidated income statement for the year ended December 31, 2017  
*(Expressed in Renminbi Yuan)*

Items	Note No.	Current period cumulative	Preceding period comparative
I. Total operating revenue	1	2,193,684,994.07	2,899,720,802.21
Including: Operating revenue	1	2,193,684,994.07	2,899,720,802.21
Interest proceeds			
Premium earned			
Revenue from handling charges and commission			
II. Total operating cost		1,972,245,011.77	2,673,857,478.49
Including: Operating cost	1	1,860,922,827.67	2,591,126,524.05
Interest expenses			
Handling charges and commission expenditures			
Surrender value			
Net payment of insurance claims			
Net provision of insurance policy reserve			
Premium bonus expenditures			
Reinsurance expenses			
Taxes & surcharge for operations	2	11,500,040.01	5,300,371.34
Selling expenses		6,113,969.38	5,173,923.18
Administrative expenses		98,774,568.01	70,150,096.28
Financial expense	3	-3,005,342.42	145,333.08
Assets impairment loss	4	-2,061,050.88	1,961,230.56
Add: Gains on changes in fair value (or less: losses)			
Investment income (or less: losses)	5	58,103,161.83	10,952,796.35
Including: Investment income from associates and joint ventures			
Gains on asset disposal (or less: losses)		38,799.60	-14,496.70
Gains on foreign exchange (or less: losses)			
Other income	6	14,321,405.19	
III. Operating profit (or less: losses)		293,903,348.92	236,801,623.37
Add: Non-operating revenue		1,155,794.10	33,584,104.95
Less: Non-operating expenditures		10,078,589.11	316,567.36
IV. Profit before tax (or less: total loss)		284,980,553.91	270,069,160.96
Less: Income tax		2,380,647.51	797,473.15
V. Net profit (or less: net loss)		282,599,906.40	269,271,687.81
(I) Categorized by the continuity of operations			
1. Net profit from continuing operations (or less: net loss)		282,599,906.40	269,271,687.81
2. Net profit from discontinued operations (or less: net loss)			
(II) Categorized by the portion of equity ownership			
1. Net profit attributable to owners of parent company (or less: net loss)		287,053,230.58	278,248,297.80
2. Non-controlling interest (or less: net loss)		-4,453,324.18	-8,976,609.99
VI. Other comprehensive income after tax			
Items attributable to the owners of the parent company			
(I) Not reclassified subsequently to profit or loss			
1. Changes in re-measurement on the net defined benefit liability/asset			
2. Items attributable to investees under equity method that will not reclassified to profit or loss			
(II) To be reclassified subsequently to profit or loss			
1. Items attributable to investees under equity method that may be reclassified to profit or loss			
2. Profit or loss from changes in fair value of available-for-sale financial assets			
3. Profit or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
4. Profit or loss on cash flow hedging			
5. Translation reserve			
6. Others			
Items attributable to non-controlling shareholders			
VII. Total comprehensive income		282,599,906.40	269,271,687.81
Items attributable to the owners of the parent company		287,053,230.58	278,248,297.80
Items attributable to non-controlling shareholders		-4,453,324.18	-8,976,609.99
VIII. Earnings per share (EPS):			
(I) Basic EPS (yuan per share)			
(II) Diluted EPS (yuan per share)			



Hunan XiangJiang New Area Development Group Co., Ltd.  
Parent company income statement for the year ended December 31, 2017  
(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Operating revenue			
Less: Operating cost			
Taxes & surcharge for operations		1,005,057.30	
Selling expenses			
Administrative expenses		62,580,004.80	24,938,110.37
Financial expense		-1,804,144.31	-1,247,908.49
Assets impairment loss			
Add: Gain on changes in fair value (or less: losses)			
Investment income (or less: losses)	1	303,030,296.30	65,813,369.11
Including: Investment income from associates and joint ventures			
Gains on asset disposal (or less: losses)			
Other income			
II. Operating profit (or less: losses)		241,249,378.51	42,123,167.23
Add: Non-operating revenue			
Less: Non-operating expenditures		4,047,925.00	120,000.00
III. Profit before tax (or less: total loss)		237,201,453.51	42,003,167.23
Less: Income tax			
IV. Net profit (or less: net loss)		237,201,453.51	42,003,167.23
(I) Net profit from continuing operations (or less: net loss)		237,201,453.51	42,003,167.23
(II) Net profit from discontinued operations (or less: net loss)			
V. Other comprehensive income after tax			
(I) Not reclassified subsequently to profit or loss			
1. Changes in re-measurement on the net defined benefit liability/asset			
2. Items attributable to investees under equity method that will not reclassified to profit or loss			
(II) To be reclassified subsequently to profit or loss			
1. Items attributable to investees under equity method that may be reclassified to profit or loss			
2. Profit or loss from changes in fair value of available-for-sale financial assets			
3. Profit or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
4. Profit or loss on cash flow hedging			
5. Translation reserve			
6. Others			
VI. Total comprehensive income		237,201,453.51	42,003,167.23
VII. Earnings per share (EPS):			
(I) Basic EPS (yuan per share)			
(II) Diluted EPS (yuan per share)			

Hunan XiangJiang New Area Development Group Co., Ltd.  
Consolidated cash flow statement for the year ended December 31, 2017  
(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
<b>I. Cash flows from operating activities:</b>			
Cash receipts from sale of goods or rendering of services		1,753,024,049.82	1,409,444,259.29
Net increase of client deposit and interbank deposit			
Net increase of central bank loans			
Net increase of loans from other financial institutions			
Cash receipts from original insurance contract premium			
Net cash receipts from reinsurance			
Net increase of policy-holder deposit and investment			
Net increase from disposal of financial assets at fair value through profit or loss			
Cash receipts from interest, handling charges and commission			
Net increase of loans from others			
Net increase of repurchase			
Receipts of tax refund			
Other cash receipts related to operating activities	1	1,323,958,047.78	230,539,452.42
Subtotal of cash inflows from operating activities		3,076,982,097.60	1,639,983,711.71
Cash payments for goods purchased and services received		7,657,203,730.05	6,508,001,536.23
Net increase of loans and advances to clients			
Net increase of central bank deposit and interbank deposit			
Cash payments for insurance indemnities of original insurance contracts			
Cash payments for interest, handling charges and commission			
Cash payments for policy bonus			
Cash paid to and on behalf of employees		126,262,732.40	119,046,414.65
Cash payments for taxes and rates		35,578,054.90	29,467,723.07
Other cash payments related to operating activities	2	921,725,162.33	595,232,990.33
Subtotal of cash outflows from operating activities		8,740,769,679.68	7,251,748,664.28
Net cash flows from operating activities		-5,663,787,582.08	-5,611,764,952.57
<b>II. Cash flows from investing activities:</b>			
Cash receipts from withdrawal of investments		1,720,000,000.00	5,234,709,901.40
Cash receipts from investment income		90,135,310.20	37,452,787.80
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets		46,310.00	
Net cash receipts from the disposal of subsidiaries & other business units			
Other cash receipts related to investing activities			56,589,400.00
Subtotal of cash inflows from investing activities		1,810,181,620.20	5,328,752,089.20
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets		1,412,113,919.25	1,225,957,502.50
Cash payments for investments		2,505,042,400.00	2,696,540,000.00
Net increase of pledged borrowings			
Net cash payments for the acquisition of subsidiaries & other business units			
Other cash payments related to investing activities			
Subtotal of cash outflows from investing activities		3,917,156,319.25	3,922,497,502.50
Net cash flows from investing activities		-2,106,974,699.05	1,406,254,586.70
<b>III. Cash flows from financing activities:</b>			
Cash receipts from absorbing investments		1,098,700,000.00	2,674,297,511.60
Including: Cash received by subsidiaries from non-controlling shareholders as investments		90,900,000.00	166,400,000.00
Cash receipts from borrowings		8,680,063,650.00	1,400,000,000.00
Cash receipts from issuing of bonds			3,000,000,000.00
Other cash receipts related to financing activities			1,074,350,000.00
Subtotal of cash inflows from financing activities		9,778,763,650.00	8,148,647,511.60
Cash payments for the repayment of borrowings		1,809,410,000.00	3,670,000,000.00
Cash payments for distribution of dividends or profits and for interest expenses		772,948,941.08	572,551,151.40
Including: Cash paid by subsidiaries to non-controlling shareholders as dividend or profit			
Other cash payments related to financing activities	3	300,939,853.19	234,500,000.00
Subtotal of cash outflows from financing activities		2,883,298,794.27	4,477,051,151.40
Net cash flows from financing activities		6,895,464,855.73	3,671,596,360.20
IV. Effect of foreign exchange rate changes on cash & cash equivalents		-972,414.28	
V. Net increase in cash and cash equivalents		-876,269,839.68	-533,914,005.67
Add: Opening balance of cash and cash equivalents		3,954,410,435.62	4,488,324,441.29
VI. Closing balance of cash and cash equivalents		3,078,140,595.94	3,954,410,435.62

Hunan XiangJiang New Area Development Group Co., Ltd.  
Parent company cash flow statement for the year ended December 31, 2017  
*(Expressed in Renminbi Yuan)*

Items	Note No.	Current period cumulative	Preceding period comparative
<b>I. Cash flows from operating activities:</b>			
Cash receipts from sale of goods and rendering of services			
Receipts of tax refund			
Other cash receipts related to operating activities		1,161,797,759.68	3,814,556,981.03
Subtotal of cash inflows from operating activities		1,161,797,759.68	3,814,556,981.03
Cash payments for goods purchased and services received		345,625,510.00	
Cash paid to and on behalf of employees		32,123,686.66	9,215,738.15
Cash payments for taxes and rates		1,042,770.51	
Other cash payments related to operating activities		733,401,161.55	43,436,595.33
Subtotal of cash outflows from operating activities		1,112,193,128.72	52,652,333.48
Net cash flows from operating activities		49,604,630.96	3,761,904,647.55
<b>II. Cash flows from investing activities:</b>			
Cash receipts from withdrawal of investments			118,000,000.00
Cash receipts from investment income			2,826,769.11
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets			
Net cash receipts from the disposal of subsidiaries & other business units			
Other cash receipts related to investing activities			
Subtotal of cash inflows from investing activities			120,826,769.11
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets		316,770.00	683,448.36
Cash payments for investments		4,021,977,260.46	3,683,317,511.60
Net cash payments for the acquisition of subsidiaries & other business units			
Other cash payments related to investing activities		200,000,000.00	
Subtotal of cash outflows from investing activities		4,222,294,030.46	3,684,000,959.96
Net cash flows from investing activities		-4,222,294,030.46	-3,563,174,190.85
<b>III. Cash flows from financing activities:</b>			
Cash receipts from absorbing investments		1,007,800,000.00	2,507,897,511.60
Cash receipts from borrowings		1,990,000,000.00	
Other cash receipts related to financing activities			
Subtotal of cash inflows from financing activities		2,997,800,000.00	2,507,897,511.60
Cash payments for the repayment of borrowings			
Cash payments for distribution of dividends or profits and for interest expenses		56,839,200.00	
Other cash payments related to financing activities			
Subtotal of cash outflows from financing activities		56,839,200.00	
Net cash flows from financing activities		2,940,960,800.00	2,507,897,511.60
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
V. Net increase in cash and cash equivalents		-1,231,728,599.50	2,706,627,968.30
Add: Opening balance of cash and cash equivalents		2,706,627,968.30	
VI. Closing balance of cash and cash equivalents		1,474,899,368.80	2,706,627,968.30

**Hunan XiangJiang New Area Development Group Co., Ltd.**  
**Consolidated statement of changes in equity for the year ended December 31, 2017**  
*(Expressed in Renminbi Yuan)*

Items	Current period cumulative												
	Equity attributable to parent company										Total equity		
	Paid-in capital/ Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve		Undistributed profit	Non-controlling interest
I. Balance at the end of prior year	21,107,897,511.60				761,708,619.62						215,261,697.80	171,099,946.95	22,255,967,775.97
Add: Cumulative changes of accounting policies													
Error correction of prior period													
Business combination under common control													
Others													
II. Balance at the beginning of current year	21,107,897,511.60				761,708,619.62						215,261,697.80	171,099,946.95	22,255,967,775.97
III. Current period increase (or less: decrease)	1,007,800,000.00				350,261,784.77				21,621,802.07		208,592,228.51	86,446,675.82	1,674,722,491.17
(I) Total comprehensive income											287,053,230.58	-4,453,324.18	282,599,906.40
(II) Capital contributed or withdrawn by owners	1,007,800,000.00				350,261,784.77							90,900,000.00	1,448,961,784.77
1. Capital contributed by owners	1,007,800,000.00											90,900,000.00	1,098,700,000.00
2. Capital contributed by holders of other equity instruments					350,261,784.77								350,261,784.77
3. Amount of share-based payment included in equity													
4. Others													
(III) Profit distribution									21,621,802.07		-78,461,002.07		-56,839,200.00
1. Appropriation of surplus reserve									21,621,802.07		-21,621,802.07		
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners													
4. Others													
(IV) Internal carry-over within equity													
1. Transfer of capital reserve to capital													
2. Transfer of surplus reserve to capital													
3. Surplus reserve to cover losses													
4. Others													
(V) Special reserve													
1. Appropriation of current period													
2. Application of current period													
(VI) Others													
IV. Balance at the end of current period	22,115,697,511.60				1,111,970,404.39				21,621,802.07		423,853,926.31	257,546,622.77	23,930,690,267.14

**Hunan XiangJiang New Area Development Group Co., Ltd.**  
**Consolidated statement of changes in equity for the year ended December 31, 2017 (continued)**  
*(Expressed in Renminbi Yuan)*

Items	Preceding period comparative												
	Equity attributable to parent company						Other comprehensive income					Total equity	
	Paid-in capital/ Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		Non-controlling interest
I. Balance at the end of prior year													
Add: Cumulative changes of accounting policies													
Error correction of prior period													
Business combination under common control													
Others													
II. Balance at the beginning of current year	21,107,897,511.60				761,708,619.62						215,261,697.80	171,099,946.95	22,255,967,775.97
(I) Total comprehensive income											278,248,297.80	-8,976,609.99	269,271,687.81
(II) Capital contributed or withdrawn by owners	21,107,897,511.60				11,732,135.05								21,119,629,646.65
1. Capital contributed by owners	21,107,897,511.60				11,732,135.05								21,119,629,646.65
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in equity													
4. Others													
(III) Profit distribution													
1. Appropriation of surplus reserve													
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners													
4. Others													
(IV) Internal carry-over within equity													
1. Transfer of capital reserve to capital													
2. Transfer of surplus reserve to capital													
3. Surplus reserve to cover losses													
4. Others													
(V) Special reserve													
1. Appropriation of current period													
2. Application of current period													
(VI) Others					749,976,484.57						-62,986,600.00	180,076,556.94	867,066,441.51
IV. Balance at the end of current period	21,107,897,511.60				761,708,619.62						215,261,697.80	171,099,946.95	22,255,967,775.97

## Hunan XiangJiang New Area Development Group Co., Ltd.

Parent company statement of changes in equity for the year ended December 31, 2017  
(Expressed in Renminbi Yuan)

Items	Current period cumulative										
	Paid-in capital/ Share capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity
		Preferred shares	Perpetual bonds	Others							
I. Balance at the end of prior year	21,107,897,511.60				11,732,135.05					-20,983,432.77	21,098,646,213.88
Add: Cumulative changes of accounting policies											
Error correction of prior period											
Others											
II. Balance at the beginning of current year	21,107,897,511.60				11,732,135.05					-20,983,432.77	21,098,646,213.88
III. Current period increase (or less: decrease)	1,007,800,000.00							21,621,802.07	158,740,451.44	158,740,451.44	1,188,162,253.51
(I) Total comprehensive income									237,201,453.51	237,201,453.51	237,201,453.51
(II) Capital contributed or withdrawn by owners	1,007,800,000.00										1,007,800,000.00
1. Capital contributed by owners	1,007,800,000.00										1,007,800,000.00
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity											
4. Others											
(III) Profit distribution											
1. Appropriation of surplus reserve								21,621,802.07	-78,461,002.07	-56,839,200.00	-56,839,200.00
2. Appropriation of profit to owners								21,621,802.07	-21,621,802.07		
3. Others											
(IV) Internal carry-over within equity											
1. Transfer of capital reserve to capital											
2. Transfer of surplus reserve to capital											
3. Surplus reserve to cover losses											
4. Others											
(V) Special reserve											
1. Appropriation of current period											
2. Application of current period											
(VI) Others											
IV. Balance at the end of current period	22,115,697,511.60				11,732,135.05			21,621,802.07	137,757,018.67	137,757,018.67	22,286,808,467.39



## Hunan XiangJiang New Area Development Group Co., Ltd.

### Parent company statement of changes in equity for the year ended December 31, 2017 (continued) (Expressed in Renminbi Yuan)

Items	Preceding period comparative							Total equity			
	Paid-in capital/ Share capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income		Special reserve	Surplus reserve	Undistributed profit
		Preferred shares	Perpetual bonds	Others							
I. Balance at the end of prior year											
Add: Cumulative changes of accounting policies											
Error correction of prior period											
Others											
II. Balance at the beginning of current year											
III. Current period increase (or less: decrease)	21,107,897,511.60				11,732,135.05					-20,983,432.77	21,098,646,213.88
(I) Total comprehensive income										42,003,167.23	42,003,167.23
(II) Capital contributed or withdrawn by owners	21,107,897,511.60				11,732,135.05						21,119,629,646.65
1. Capital contributed by owners	21,107,897,511.60				11,732,135.05						21,119,629,646.65
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity											
4. Others											
(III) Profit distribution										-62,986,600.00	-62,986,600.00
1. Appropriation of surplus reserve											
2. Appropriation of profit to owners										-62,986,600.00	-62,986,600.00
3. Others											
(IV) Internal carry-over within equity											
1. Transfer of capital reserve to capital											
2. Transfer of surplus reserve to capital											
3. Surplus reserve to cover losses											
4. Others											
(V) Special reserve											
1. Appropriation of current period											
2. Application of current period											
(VI) Others											
IV. Balance at the end of current period	21,107,897,511.60				11,732,135.05					-20,983,432.77	21,098,646,213.88

[Name]

[Legal representative]  
(Signature and stamp)

[Name]

[Officer in charge of accounting]  
(Signature and stamp)

[Name]

[Head of accounting department]  
(Signature and stamp)

## **Hunan XiangJiang New Area Development Group Co., Ltd.**

### **Notes to Financial Statements**

For the year ended December 31, 2017

Monetary unit: RMB Yuan

#### **I. Company profile**

Hunan XiangJiang New Area Development Group Co., Ltd. (the “Company”) is invested by Hunan XiangJiang New Area Management Committee under the approval of Changsha People’s Government and the notice of “Implementation Plan on Establishment of Hunan XiangJiang New Area Development Group Co., Ltd.” from the General Office of Changsha People’s Government received on April 6, 2016. The Company registered at Changsha Administration for Industry and Commerce on April 19, 2016 and acquired a corporate business license with unified social credit code of 91430100MA4L3UJ37Q. The Company has registered capital of 30,000,000,000.00 yuan.

The Company’s business scope: primary and secondary land development; urban infrastructure construction and operation; construction, investment and operation of industry platform; development and operation of cultural tourism resources; investment and operation of health industry; urban resource management and operation; and property management.

#### **II. Preparation basis of the financial statements**

##### **(I) Preparation basis**

The financial statements have been prepared on the basis of going concern.

##### **(II) Assessment of the ability to continue as a going concern**

The Company has no events or conditions that may cast significant doubts upon the Company’s ability to continue as a going concern within the 12 months after the balance sheet date.

#### **III. Significant accounting policies, estimates and prior errors**

##### **(I) Statement of compliance**

The financial statements have been prepared in accordance with the requirements of China Accounting Standards for Business Enterprises (CASBEs), and present truly and completely the financial position, results of operations and cash flows of the Company.

##### **(II) Accounting period**

The accounting year of the Company runs from January 1 to December 31 under the Gregorian calendar.

##### **(III) Functional currency**

The Company's functional currency is Renminbi (RMB) Yuan.

(IV) Accounting treatments of business combination under and not under common control

1. Accounting treatment of business combination under common control

Assets and liabilities arising from business combination are measured at carrying amount of the combined party included in the consolidated financial statements of the ultimate controlling party at the combination date. Difference between carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party and that of the combination consideration or total par value of shares issued is adjusted to capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

2. Accounting treatment of business combination not under common control

When combination cost is in excess of the fair value of identifiable net assets obtained from the acquiree at the acquisition date, the excess is recognized as goodwill; otherwise, the fair value of identifiable assets, liabilities and contingent liabilities, and the measurement of the combination cost are reviewed, then the difference is recognized in profit or loss.

(V) Compilation method of consolidated financial statements

The parent company brings all its controlled subsidiaries into its consolidation scope. The consolidated financial statements are compiled by the parent company according to "CASBE 33 - Consolidated Financial Statements", based on relevant information and the financial statements of the parent company and its subsidiaries.

(VI) Classification of joint arrangements and accounting treatment of joint operations

1. Joint arrangements include joint operations and joint ventures.

2. When the Company is a joint operator of a joint operation, it recognizes in relation to its interest in a joint operation:

(1) its assets, including its share of any assets held jointly;

(2) its liabilities, including its share of any liabilities incurred jointly;

(3) its revenue from the sale of its share of the output arising from the joint operation;

(4) its share of the revenue from the sales of the output by the joint operation; and

(5) its expenses, including its share of any expenses incurred jointly.

(VII) Recognition criteria of cash and cash equivalents

Cash as presented in cash flow statement refers to cash on hand and deposit on demand for payment. Cash equivalents refer to short-term, highly liquid investments that can be readily converted to cash and that are subject to an insignificant risk of changes in value.

(VIII) Translation of transactions denominated in foreign currency

Transactions denominated in foreign currency are translated into RMB yuan at the spot exchange

rate at the transaction date at initial recognition. At the balance sheet date, monetary items denominated in foreign currency are translated at the spot exchange rate at the balance sheet date with difference, except for those arising from the principal and interest of exclusive borrowings eligible for capitalization, included in profit or loss; non-cash items carried at historical costs are translated at the spot exchange rate at the transaction date, with its RMB amount unchanged; non-cash items carried at fair value in foreign currency are translated at the spot exchange rate at the date when the fair value was determined, with difference included in profit or loss or other comprehensive income.

#### (IX) Financial instruments

##### 1. Classification of financial assets and financial liabilities

Financial assets are classified into the following four categories when initially recognized: financial assets at fair value through profit or loss (including held-for-trading financial assets and financial assets designated at initial recognition as at fair value through profit or loss), held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

Financial liabilities are classified into the following two categories when initially recognized: financial liabilities at fair value through profit or loss (including held-for-trading financial liabilities and financial liabilities designated at initial recognition as at fair value through profit or loss), and other financial liabilities.

##### 2. Recognition criteria, measurement method and derecognition condition of financial assets and financial liabilities

When the Company becomes a party to a financial instrument, it is recognized as a financial asset or financial liability. The financial assets and financial liabilities initially recognized by the Company are measured at fair value; for the financial assets and liabilities at fair value through profit or loss, the transaction expenses thereof are directly included in profit or loss; for other categories of financial assets and financial liabilities, the transaction expenses thereof are included into the initially recognized amount.

The Company measures its financial assets at fair value subsequent to initial recognition, and does not deduct the transaction expenses that may occur when it disposes of the said financial asset in the future. However, those under the following circumstances are excluded: (1) the held-to-maturity investments, loans and receivables are measured at amortized costs using effective interest method; (2) the equity instrument investments for which there is no quotation in the active market and whose fair value cannot be measured reliably, and the derivative financial assets which are connected with the said equity instrument and must be settled by the delivery of the said equity instrument are measured at their costs.

The Company measures its financial liabilities at the amortized costs using effective interest method, with the exception of those under the following circumstances: (1) for the financial

liabilities at fair value through profit or loss, they are measured at fair value, and none of the transaction expenses may be deducted, which may occur when the financial liabilities are settled in the future; (2) for the derivative financial liabilities, which are connected to the equity instrument for which there is no quotation in the active market and whose fair value cannot be reliably measured, and which must be settled by the delivery of the equity instrument, they are measured at their costs; (3) for the financial guarantee contracts which are not designated as a financial liability at fair value through profit or loss, and for the commitments to grant loans which are not designated as at fair value through profit or loss and which will enjoy an interest rate lower than that of the market, they are measured subsequent to initial recognition at the higher of the following two items 1) The amount as determined according to “CASBE 13 - Contingencies”; 2) the surplus after accumulative amortization as determined according to “CASBE 14 - Revenues”.

The gains or losses arising from changes in fair value of financial assets or financial liabilities, if not related to hedging, are measured with the following methods: (1) Gains or losses, arising from the changes in fair value of financial asset or liability at its fair value through profit or loss, is included in gains or losses on changes in fair value; interests or cash dividends gained during the asset-holding period are recognized as investment income; when disposing of the assets, investment income is recognized at the difference between the actual amount received and the initial recorded amount, at the same time, gains or losses on changes in fair value are adjusted accordingly. (2) For available-for-sale financial asset, changes in fair value are recorded as other comprehensive income during the holding period, interests measured at effective interest method are recorded as investment income; cash dividends from available-for-sale equity instrument investment are recognized as investment income at the date of dividend declaration; when disposing of the assets, investment income is recognized at the difference between the actual amount received and the book value deducting the accumulative amount of changes in fair value originally included in other comprehensive.

Financial assets are derecognized when the contractual rights for collecting the cash flow of the said financial assets expire or substantially all risks and rewards related to the said financial assets have been transferred. Only when the underlying present obligations of a financial liability are relieved totally or partly may the financial liability be derecognized accordingly.

### 3. Recognition criteria and measurement method of financial assets transfer

Where the Company has transferred substantially all of the risks and rewards related to the ownership of the financial asset to the transferee, it derecognizes the financial asset. If it retained substantially all of the risks and rewards related to the ownership of the financial asset, it continues recognizing the financial asset, and the consideration received is recognized as a financial liability. Where the Company does not transfer or retain substantially all of the risks and rewards related to the ownership of a financial asset, it is dealt with according to the circumstances as follows respectively: (1) if the Company gives up its control over the financial

asset, it derecognizes the financial asset; (2) if the Company does not give up its control over the financial asset, according to the extent of its continuing involvement in the transferred financial asset, it recognizes the related financial asset and recognizes the relevant liability accordingly.

If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the amounts of the following two items are included in profit or loss: (1) the book value of the transferred financial asset; (2) the sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally included in equity. If the transfer of financial asset partially satisfies the conditions to derecognition, the entire book value of the transferred financial asset is, between the portion which is derecognized and the portion which is not, apportioned according to their respective relative fair value, and the difference between the amounts of the following two items are included into profit or loss: (1) the book value of the portion which is derecognized; (2) the sum of consideration of the portion which is derecognized, and the portion of the accumulative amount of the changes in the fair value originally included in equity which is corresponding to the portion which is derecognized.

#### 4. Fair value determination method of financial assets and liabilities

The Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. The inputs to valuation techniques used to measure fair value are arranged in the following hierarchy and used accordingly:

(1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

(2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability, for example, interest rates and yield curves observable at commonly quoted intervals; market-corroborated inputs;

(3) Level 3 inputs are unobservable inputs for the asset or liability. Level 3 inputs include interest rate that is not observable and cannot be corroborated by observable market data at commonly quoted intervals, historical volatility, future cash flows to be paid to fulfill the disposal obligation assumed in business combination, and financial forecast developed using the Company's own data, etc.

#### 5. Impairment test and provision for impairment loss of financial assets

(1) An impairment test is carried out at the balance sheet date on the financial assets other than those at fair value through profit or loss, and provisions for impairment loss should be made if there is objective evidence indicating impairment loss.

(2) For held-to-maturity investments, borrowings, and receivables, an impairment test is made on

an individual basis on financial assets of individually significant amount; with regard to the financial assets of individually insignificant amount, they may be included in a portfolio of financial assets with similar credit risk features so as to carry out an impairment-related test; where, upon the impairment test on an individual basis, the financial asset (including those financial assets of individually significant amount and of individually insignificant amount) is not impaired, it is included in a portfolio of financial assets with similar credit risk features so as to conduct further impairment test. Where a financial asset is impaired, the carrying amount of the said financial asset is written down to the present value of the predicted future cash flow.

(3) Available-for-sale financial assets

1) Objective evidence indicating that available-for-sale debt instrument investments may be impaired includes:

- a. significant financial difficulties in the debtor;
- b. breach of contract by the debtor, such as principal or interest past due or default;
- c. concessions made to debtors with financial difficulties considering economic and legal factors;
- d. it is highly probable that the debtor is going to dissolve or going through other terms of financial restructuring;
- e. owing to significant financial difficulties occurred to the debtor, the debt instrument is discontinued to trade in active market; or
- f. Other circumstances indicating that available-for-sale debt instrument may be impaired.

2) Evidence indicating that available-for-sale equity instrument investment may be impaired includes the fair value of equity instrument investment is suffered from significant or non-temporary decline and the technical, market, economic, or legal environment in which the investee operates has significant adverse changes under which the Company may not be able to recover its investment cost.

The Company performs review on available-for-sale equity instrument investment on an individual basis at the balance sheet date. For equity instrument investment at fair value, if the balance sheet date fair value is 50% or above lower than the cost, or the balance sheet date fair value has been lower than the cost for a consecutive of 12 months or longer, it is determined that such equity instrument investment is impaired; if the balance sheet date fair value is 20% or above but not exceeding 50% lower than the cost, or the balance sheet date fair value has been lower than the cost for a consecutive of 6 months or longer but not exceeding 12 months, the Company may take other factors such as price volatility into consideration in determining whether such equity instrument investment is impaired. For equity instrument investment at cost, the Company considers whether the technical, market, economic, or legal environment in which the investee operates has significant adverse changes to determine whether such equity instrument is impaired.



When an available-for-sale financial asset at fair value is impaired, the cumulative loss arising from decline in fair value that has been recognized directly in other comprehensive income is reclassified to impairment loss. If, after an impairment loss has been recognized on available-for-sale debt instrument investment, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. Subsequent fair value increase in available-for-sale debt instrument investment whose impairment loss has been recognized is directly recognized in other comprehensive income.

When an available-for-sale equity instrument at cost is impaired, impairment loss on such equity instrument investment is recognized at any excess of its carrying amount over the present value of future cash flows, and such impairment loss is not reversed upon recognition.

(X) Receivables

1. Receivables of individually significant amount and with provision made on an individual basis

Judgment basis or amount criteria of individually significant amount	Receivables amounting to more than 1 million yuan (including 1 million yuan) and accounting for more than 10% (including 10%) of the total book balance of receivables
Provision method for receivables of individually significant amount and with provision made on an individual basis	Provisions are made on the difference between the lower of present value of future cash flow and their carrying amount based on impairment testing on an individual basis.

2. Receivables with provision made on a collective basis using portfolios with similar credit risk features

(1) Specific portfolios and provision method

Basis for determination of portfolios:	
Portfolio grouped with government funds receivable	Government fund receivables
Portfolio grouped with age	Receivables of the same age with similar credit risk features
Portfolio grouped with advances paid on behalf and advances paid	Advances paid on behalf and advances paid
Portfolio grouped with internal receivables	Receivables within the consolidation scope of the parent company 湘江集团公司 (XiangJiang Group Co., Ltd.*)
Provision method of provision being made on collective basis:	
Portfolio grouped with government funds receivable	No provision is made
Portfolio grouped with age	Age analysis method
Portfolio grouped with advances paid on behalf and advances paid	No provision is made
Portfolio grouped with internal receivables	No provision is made

\* The English name is for identification purpose only.

(2) Age analysis method

Ages	Proportion of provision for accounts receivable (%)	Proportion of provision for other receivables (%)
Within 1 year (inclusive, the same hereinafter)	1	0
1-2 years	5	5
2-3 years	10	10
3-4 years	20	20
4-5 years	30	30
Over 5 years	100	100

3. Receivables of individually insignificant amount but with provision made on an individual basis

Reasons for provision made on an individual basis	There is obvious difference between the present value of future cash flows of such receivables and those portfolio grouped with credit risk features.
Provision method	Provisions are made on the difference between the lower of present value of future cash flow and their carrying amount based on impairment testing on an individual basis.

For other receivables such as notes receivable, interest receivable and long-term receivable, etc., provision for bad debts is made at the difference between the present value of future cash flow and the carrying amount.

(XI) Inventories

1. Inventories are classified by land development products and non-land development products. Land development products include completed developed products, developed products in progress, products to be developed, while non-land development products include revolving materials, raw materials and goods on hand. Completed developed products refer to land products which are completed and waiting for sale; developed products in progress refer to land products under development and for sales purposes; products to be developed refer to land which has been acquired to be developed as completed developed products. If the project developed on a collective basis, products to be developed are recognized as developed products in progress; if the project is developed phase by phase, developed phase is recognized as developed products in progress and the remaining phases are kept as products to be developed.

2. Cost of land development products includes land cost, construction cost and other costs. Borrowing costs eligible for capitalization are also included into cost of land development products. Cost of non-land development products includes purchasing cost, processing cost and other costs, which is recorded at actual cost when acquired, and accounted for with average method when dispatched from storage. Apart from purchasing cost of raw materials, work in process and goods on hand also include direct labor cost and proportionate production and manufacture cost.

3. Basis for determining net realizable value and method of provision for impairment of inventory

write-down

At the balance sheet date, inventories are measured at the lower of cost or net realizable value; provisions for inventory write-down are made on the excess of its cost over the net realizable value. The net realizable value of inventories held for sale is determined based on the amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges in the ordinary course of business; the net realizable value of materials to be processed is determined based on the amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges in the ordinary course of business; at the balance sheet date, when only part of the same item of inventories have agreed price, their net realizable value is determined separately and is compared with their costs to set the provision for inventory write-down to be made or reversed.

#### 4. Inventory system

Perpetual inventory method is adopted.

5. Revolving materials are amortized with one-off method.

### (XII) Long-term equity investments

#### 1. Judgment of joint control and significant influence

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of these policies.

#### 2. Determination of investment cost

(1) For business combination under common control, if the consideration of the combining party is that it makes payment in cash, transfers non-cash assets, assumes its liabilities or issues equity securities, on the date of combination, it regards the share of the carrying amount of the equity of the combined party included the consolidated financial statements of the ultimate controlling party as the initial cost of the investment. The difference between the initial cost of the long-term equity investment and the carrying value of the combination consideration paid or the par value of shares issued offsets capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

When long-term equity investments are obtained through business combination under common control achieved in stages, the Company determines whether it is a “bundled transaction”.

If it is a “bundled transaction”, stages as a whole are considered as one transaction in accounting treatment. If it is not a “bundled transaction”, investment cost is initially recognized at the share of the carrying amount of net assets of the combined party included the consolidated financial statements of the ultimate controlling party. The difference between the acquisition-date investment cost of long-term equity investments and the carrying amount of the previously held

long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity is adjusted to capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

(2) For business combination not under common control, investment cost is initially recognized at the acquisition-date fair value of considerations paid.

When long-term equity investments are obtained through business combination not under common control achieved in stages, the Company determined whether they are stand-alone financial statements or consolidated financial statements in accounting treatment:

1) In the case of stand-alone financial statements, investment cost is initially recognized at the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity.

2) In the case of consolidated financial statements, the Company determines whether it is a “bundled transaction”.

If it is a “bundled transaction”, stages as a whole are considered as one transaction in accounting treatment. If it is not a “bundled transaction”, the carrying value of the acquirer’s previously held equity interest in the acquire is re-measured at the acquisition-date fair value, and the difference between the fair value and the carrying amount is recognized in investment income; when the acquirer’s previously held equity interest in the acquire involves other comprehensive income under equity method, the related other comprehensive income is reclassified as income for the acquisition period, excluding other comprehensive income arising from changes in net liabilities or assets from re-measurement of defined benefit plan of the acquiree.

(3) Long-term equity investment obtained through ways other than business combination: the initial cost of a long-term equity investment obtained by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; that obtained through debt restructuring is determined according to “CASBE12 - Debt Restructuring”; and that obtained through non-cash assets exchange is determined according to “CASBE7 - Non-cash Assets Exchange”.

### 3. Subsequent measurement and recognition method of gain or loss

For long-term equity investment with control relationship, it is accounted for with cost method; for long-term equity investment with joint control or significant influence relationship, it is accounted for with equity method.

### 4. Disposal of a subsidiary in stages resulting in the Company’s loss of control

#### (1) Stand-alone financial statements

The difference between the carrying amount of the disposed equity and the consideration obtained thereof is recognized in profit or loss. If the disposal does not result in the Company’s loss of

significant influence or joint control, the remained equity is accounted for with equity method; however, if the disposal results in the Company's loss of control, joint control, or significant influence, the remained equity is reclassified as financial assets, and accounted for according to CASBE 22 –Financial Instruments: Recognition and Measurement.

(2) Consolidated financial statements

1) Disposal of a subsidiary in stages not qualified as “bundled transaction” resulting in the Company's loss of control

Before the Company's loss of control, the difference between the disposal consideration and the proportionate share of net assets in the disposed subsidiary from acquisition date or combination date to the disposal date is adjusted to capital reserve (capital premium), if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

When the Company loses control, the remained equity is re-measured at the loss-of-control-date fair value. The aggregated value of disposal consideration and the fair value of the remained equity, less the share of net assets in the disposed subsidiary held before the disposal from the acquisition date or combination date to the disposal date is recognized in investment income in the period when the Company loses control over such subsidiary, and meanwhile goodwill is offset correspondingly. Other comprehensive income related to equity investments in former subsidiary is reclassified as investment income upon the Company's loss of control.

2) Disposal of a subsidiary in stages qualified as “bundled transaction” resulting in the Company's loss of control

In case of “bundled transaction”, stages as a whole are considered as one transaction resulting in loss of control in accounting treatment. Before the Company loses control, the difference between the disposal consideration at each stage and the proportionate share of net assets in the disposed subsidiary is recognized as other comprehensive income at the consolidated financial statements and reclassified as profit or loss in the period when the Company loses control over such subsidiary.

(XIII) Investment property

1. Investment property includes land use right of rent-out property and of property held for capital appreciation and buildings that have been leased out.

2. The initial measurement of investment property is based on its cost, and subsequent measurement is made using the cost model, the depreciation or amortization method is the same as that of fixed assets and intangible assets.

(XIV) Fixed assets

1. Recognition principles of fixed assets

Fixed assets are tangible assets held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and expected to be used during more than one

accounting year. Fixed assets are recognized if, and only if, it is probable that future economic benefits associated with the assets will flow to the Company and the cost of the assets can be measured reliably.

## 2. Depreciation method of different categories of fixed assets

Items	Depreciation method	Useful life (years)	Estimated residual value proportion (%)	Annual depreciation rate (%)
Buildings and structures	Straight-line method	35-40	5	2.38-2.71
Electronic equipment	Straight-line method	3-5	5	19.00-31.67
Transport facilities	Straight-line method	5	5	19.00
Office facilities	Straight-line method	5	5	19.00
Other equipment	Straight-line method	5	5	19.00

### (XV) Construction in progress

1. Construction in progress is recognized if, and only if, it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. Construction in progress is measured at the actual cost incurred to reach its designed usable conditions.

2. Construction in progress is transferred into fixed assets at its actual cost when it reaches its designed usable conditions. When the construction completion cost reaches final estimating and auditing of the construction in progress was not finished while it reaching the designed usable conditions, it is transferred to fixed assets using estimated value first, and then adjusted accordingly when the actual cost is settled, but the accumulated depreciation is not to be adjusted retrospectively.

### (XVI) Borrowing costs

#### 1. Recognition principle of borrowing costs capitalization

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it is capitalized and included in the costs of relevant assets; other borrowing costs are recognized as expenses on the basis of the actual amount incurred, and are included in profit or loss.

#### 2. Borrowing costs capitalization period

(1) The borrowing costs are not capitalized unless they following requirements are all met: 1) the asset disbursements have already incurred; 2) the borrowing costs have already incurred; and 3) the acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

(2) Suspension of capitalization: where the acquisition and construction or production of a

qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs is suspended; the borrowing costs incurred during such period are recognized as expenses, and are included in profit or loss, till the acquisition and construction or production of the asset restarts.

(3) Ceasing of capitalization: when the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs is ceased.

3. Capitalization rate and capitalized amount of borrowing costs

For borrowings exclusively for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests is determined in light of the actual interest expenses incurred (including amortization of premium or discount based on effective interest method) of the special borrowings at the present period minus the income of interests earned on the unused borrowings as a deposit in the bank or as a temporary investment; where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the Company calculates and determines the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used.

(XVII) Intangible assets

1. Intangible asset includes land use right, patent right and non-patented technology etc. The initial measurement of intangible asset is based its cost.

2. For intangible assets with finite useful lives, its amortization amount is amortized within its useful lives systematically and reasonably, if it is unable to determine the expected realization pattern reliably, intangible assets are amortized by the straight-line method with details as follows:

Items	Amortization period (years)
Land use right	40
Software	3

Intangible assets with indefinite useful life are not amortized, but their useful life is reviewed annually.

(XVIII) Long-term prepayments

Long-term prepayments are expenses that have been recognized but with amortization period over one year (excluding one year). They are recorded with actual cost, and evenly amortized within its beneficiary period or stipulated period. If items of long-term prepayments fail to be beneficial to the following accounting periods, residual values of such items are included in profit or loss.

(XIX) Revenue

1. Revenue recognition principles



(1) Sale of goods

Revenue from sale of goods is recognized if, and only if, the following conditions are all satisfied:

a) significant risks and rewards of ownership of the goods is transferred to the buyer; b) the Company retains neither continuing managerial involvement of ownership nor effective control over the goods sold; c) the amount of revenue can be measured reliably; d) it is probable that the economic benefits of the transaction will flow to the Company; and e) the costs of the transaction incurred and to be incurred can be measured reliably.

(2) Rendering of services

When the outcome of the transaction can be estimated reliably (the amount of revenue can be measured reliably, it is probable that the economic benefits will flow to the Company, the percentage of completion of the transaction can be determined reliably, and the costs of the transaction incurred and to be incurred can be measured reliably), revenue from rendering of services is recognized using the percentage of completion method, and the stage of completion is determined at the proportion of costs incurred to the estimated total costs. When the outcome of the transaction cannot be estimated reliably at the balance sheet date, revenue is recognized based on the amount of the costs incurred and the costs incurred are charged off at the same amount when the costs incurred are expected to be recoverable; and no revenue is recognized and the costs incurred are charged off as an expense of the period when the costs incurred are not expected to be recovered.

(3) Revenue arising from use by others of assets

Revenue arising from use by others of assets is recognized if, and only if, it is probable that economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. Interest income is recognized based on the length of time for which the Company's cash is used by others and the effective interest rate; and royalties are recognized according to the period and method of charging as specified in relevant contract or agreement.

(4) Construction contract

1) When the outcome of construction contract can be reliably estimated at balance sheet date, contract revenue and cost are recognized using the percentage of completion method. When the outcome of construction contract cannot be reliably estimated at balance sheet date, contract revenue is recognized according to the actual recoverable contract cost if the cost can be recovered; if not, contract cost is recognized as contract expense when occurring.

2) The outcome of a fixed price contract can be estimated reliably when all of the following conditions are satisfied: total contract revenues can be measured reliably; it is probable that economic benefits associated with the contract will flow to the Company; the contract costs actually incurred can be clearly identified and reliably measured; both the degree of contract completion and the additional contract costs needed to complete the contract can be measured

reliably. The outcome of a cost plus contract can be estimated reliably when all of the following conditions are satisfied: it is probable that economic benefits associated with the contract will flow to the Company; the contract costs actually incurred can be clearly identified and reliably measured.

3) Percentage-of-completion method refers to the percentage of accumulated contract costs in estimated total contract costs.

4) At the balance sheet date, expected excess of total contract costs over total contract revenue is recognized as an expense of the period. A provision for inventory write-down is made based on the excess for construction contract under implementation; and estimated liability is recognized based on the excess for construction contract to be implemented.

## 2. Revenue recognition method adopted by the Company

The Company's main operations are primary land development, construction of urban infrastructure such as urban roads. Revenue is recognized if, and only if, the following conditions are all met: the Company has delivered goods to the purchaser based on contractual agreements; the amount of sales revenue is determined; goods payment has been collected or the Company has obtained receipts invoices and it is probable that economic benefits associated with the transaction will flow to the Company; and the costs of the transaction incurred and to be incurred can be measured reliably. Time point of revenue from the following items is:

### (1) Primary land development

1) For the development project directly delegated by Hunan XiangJiang New Area Management Committee, the Company recognizes the revenue upon the receipt of the Confirmation of Land Use Right Assignment issued by land reserve center.

2) For the primary land development within the scope of cooperative development as agreed in the "Cooperation and Development Agreement on the South Section of Dongfanghong Road, High-Tech Zone" entered into between the Company and Changsha Dahexi Pilot Area Land Reserve (Trade) Center Hi-Tech Zone Sub-Center (currently renamed as Hunan XiangJiang New Area Land Reserve (Trade) Center Hi-Tech Zone Sub-Center), the Company recognizes the revenue on the basis of actual invested cost plus the attributable appreciation of land value calculated based on the stage of completion. The stage of completion is determined at the proportion of contract costs incurred to the estimated total contract costs, and accumulated actual contract costs include land expropriation costs, construction costs, etc.

3) For agent construction of urban roads and infrastructure engaged by contract-issuing party, the Company recognizes the revenue when the project is accepted and delivered.

### (2) Agent construction of urban roads and infrastructure

For agent construction of urban roads and infrastructure engaged by government, revenue is determined based on the cost plus 8% or corresponding management service ratio. The Cost is

determined based on data confirmed by supervision unit, construction department and cost control department.

(XX) Government grants

1. Government grants related to assets

Government grants related to assets are government grants, with which the Company purchase, construct or otherwise acquire non-current assets. They offset carrying amount of relevant assets, or they are recognized as deferred income, and included in profit or loss on a systematic basis over the useful lives of the relevant assets, and included in profit or loss. Those measured at notional amount are directly included into profit or loss. For assets sold, transferred, disposed or damaged within the useful lives, balance of unamortized deferred income is transferred into profit or loss of the year in which the disposal occurred.

2. Government grants related to income

Government grants related to income are government grants other than those related to assets. For government grants that contain both parts related to assets and parts related to income, in which those two parts are blurred and thus collectively classified as government grants related to income. Government grants related to income used for compensating the related future cost, expenses or losses of the Company are recognized as deferred income and are included in profit or loss or offset relevant cost during the period in which the relevant cost, expenses or losses are recognized; for government grants related to income used for compensating the related cost, expenses or losses incurred to the Company, they are directly included in profit or loss or directly offset relevant cost.

3. Government grants related to the ordinary course of business shall be included into other income or offset relevant cost based on business nature, while those not related to the ordinary course of business shall be included into non-operating revenue or expenditures.

4. Policy interest subvention

(1) In the circumstance that government appropriates interest subvention to lending bank, who provides loans for the Company with a policy subsidised interest rate, borrowings are carried at the amount received, with relevant borrowings cost computed based on the principal and the policy subsidised interest rate.

(2) In the circumstance that government directly appropriates interest subvention to the Company, the subsidised interest shall offset relevant borrowing cost.

(XXI) Leases

1. Operating leases

When the Company is the lessee, lease payments are recognized as cost or profit or loss with straight-line method over the lease term. Initial expenses are recognized directly into profit or loss. Contingent rents are charged as profit or loss in the periods in which they are incurred.

When the Company is the lessor, lease income is recognized as profit or loss with straight-line method over the lease term. Initial expenses, other than those with material amount and eligible for capitalization which are recognized as profit or loss by installments, are recognized directly as profit or loss. Contingent rents are charged as profit or loss in the periods in which they are incurred.

(XXII) Significant changes in accounting policies

Changes in accounting policies arising from changes in CASBEs

(1) The Company has adopted “CASBE 42 - Non-current Assets and Disposal Groups Held for Sale and Discontinued Operations” promulgated by Ministry of Finance of PRC since May 28, 2017, and has adopted “CASBE 16 - Government Grants” revised by Ministry of Finance of PRC since June 12, 2017. The change is applicable to prospective application method.

(2) The Company prepared the financial statements for the year ended December 31, 2017 in accordance with “Notice of the Ministry of Finance on Revising and Issuing Financial Statement Templates for General Enterprises” (numbered Cai Kuai [2017] 30), and gains and losses on disposal of non-current assets and gains and losses on trading of non-cash assets which originally presented under the items “Non-operating revenue” and “Non-operating expenditures” were presented under the item “Gains on asset disposal”. As this change is applicable to retrospective application method, non-operating expenditures of 2016 are decreased by 14,496.70 yuan, while gains on asset disposal are increased by -14,496.70 yuan.

(XXIII) Significant corrections of prior period errors

The Company’s subsidiary 梅溪湖投资（长沙）有限公司 (Meixihu Investment (Changsha) Co., Ltd.\*) overly accrued attributable land appreciation income of 31,525,075.08 yuan and the subsidiary 湖南湘江新区投资集团有限公司 (Hunan XiangJiang New Area Investment Group Co., Ltd.\*) overly accrued government grants of 6,000,000.00 yuan. In the current period, corrections were made on those errors using retrospective application method. Adjustments on comparable financial statements of 2017 are listed as follows:

Affected financial statement items of 2016	The cumulative effect
Accounts receivable	-31,525,075.08
Other payables	6,000,000.00
Undistributed profit	-37,525,075.08
Revenue from main operations	-31,525,075.08
Non-operating revenue	-6,000,000.00

**IV. Taxes**

(I) Main taxes and tax rates

\* The English names are for identification purpose only.

Taxes	Tax bases	Tax rates
Value-added tax (VAT)	The taxable revenue from sales of goods or rendering of services	3%, 5%, 6%, 17%
Housing property tax	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting 20% of the cost; for housing property levied on the basis of rent, housing property tax is levied at the rate of 12% of rent revenue.	12%, 1.2%
Urban maintenance and construction tax	Turnover tax payable	7%
Education surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%
Enterprise income tax	Taxable income	25%

(II) Tax preferential policies

1. Pursuant to the “Notice on Treatment of Enterprise Income Tax of Special Fiscal Fund” (numbered Cai Shui [2011] 70) issued by Ministry of Finance (MOF) and State Administration of Taxation of P.R.C (SAT), fiscal fund received by the Company and its subsidiaries is tax free and can be deducted from total revenue when calculating taxable income.

2. Pursuant to item XXXVII, Article I in the Appendix 3 “Transitional Policy of the Pilot Project of Replacing Business Tax with Value-Added Tax” of the “Circular on Promoting the Pilot Project of Replacing Business Tax with Value-Added Tax in An All-round Manner” (numbered Cai Shui [2016] 36) by MOF and SAT, land use right that transferred by landowner is exempt from VAT. Therefore, revenue from land leveling is exempt from VAT and surcharges.

**V. Business combination, consolidation scope and interest in other entities**

(I) Significant subsidiaries

Subsidiaries	Business nature	Registered capital	Business scope
1. Acquired through establishment or investment			

Subsidiaries	Business nature	Registered capital	Business scope
湖南梦想置业开发有限公司 (Hunan Dream Real Estate Development Co., Ltd.*)	Real estate development	1,000,000,000	Real estate development and management; self-owned real estate management activities; housing lease; site lease; property management; construction of buildings and structures; highway construction; highway installation engineering construction; municipal public engineering construction; construction of security system engineering; construction and management of government utilities and supporting facilities; construction of water conservancy and hydropower projects; construction of wire and pipeline projects; landscaping engineering services; ancient building engineering services; indoor stadiums, recreation facility engineering services; outdoor sports facility engineering construction; outdoor entertainment facility engineering construction; landscape and green space facility engineering construction; intelligent installation engineering services; building equipment automatic control system engineering services; security monitoring and alarm system engineering services; smart card system engineering services; communication system engineering services; computer network system engineering services; professional contracting of fire protection facility engineering; elevator installation engineering services; installation services of electronic automation engineering and electronic equipment engineering.
湖南华年文化旅游投资有限公司 (Hunan Huanian Cultural Tourism Investment Co., Ltd.*)	Investment	100,000,000	Industrial investment, real estate investment, industrial investment, hi-tech industry investment, cultural tourism industry investment and management, and cultural investment management with its own assets (not allowed to engage in national financial supervision and financial credit businesses such as absorbing deposit, raising fund, entrust loan, issuing loans, etc.); advertising design; scenic spot management; real estate development and management; lighting equipment leasing; audio and video equipment leasing; economic and commercial advisory services (excluding financial, securities, features consulting); development and management of leisure agriculture project; planning and development of humanistic memorial park; hotel management; advertising production services, domestic and foreign agency services, publishing services; sales of cultural supplies, tourism outdoor products, movie related souvenirs, paper products and general machinery; retail of general merchandise, jewelry, stationery and toys.

\* The English names are for identification purpose only.

Subsidiaries	Business nature	Registered capital	Business scope
湖南湘新水务投资有限公司 (Hunan Xiangxin Water Investment Co., Ltd.*)	Investment	500,000,000	Investment in the field of water affairs and ecological agriculture and investment management with its own assets (not allowed to engage in national financial supervision and financial credit businesses such as absorbing deposit, raising fund, entrust loan, issuing loans, etc.); manufacturing of water treatment equipment; water supply and production; water resources management; water energy development and utilization; water pollution control; investment in environmental pollution control projects; environmental protection technology development services; environmental protection engineering facilities construction; water source and water supply facilities construction; sewage treatment and recycling; water saving management and technical consultation; engineering sewerage construction services; direct drinking water production; sales of drinking water; hydropower; harmless, minimization and resource treatment of municipal solid waste; information technology consulting services; operation of water vapor energy heat pump; construction, management and operation of municipal solid waste disposal site.
长沙岳麓山国家大学科技城建设投资有限公司 (Changsha Yuelushan National University Science and Technology City Construction Investment Co., Ltd.*)	Land development	5,000,000,000	Land development and investment, investment in design and construction of urban infrastructure, investment in industrial platform construction (not allowed to engage in national financial supervision and financial credit businesses such as absorbing deposit, raising fund, entrust loan, issuing loans, etc.); real estate development and management; urban resource management and operation, etc.
2. Acquired through business combination under common control			
湖南湘江城市运营管理有限公司 (Hunan Xiangjiang City Operation Management Co., Ltd.*)	Municipal facility management	100,000,000	Business management; energy management contract; municipal facilities management; environmental health management; urban and rural city appearance management; park management; scenic spot management; property cleaning and maintenance; cleaning and maintenance of transportation equipment and facilities; urban road maintenance; urban bridge maintenance; pipeline installation services; rental of cruise boats in parks and scenic spots; landscape engineering services; construction of landscape and green space facilities; traffic facilities installation; investment and construction of parking lot, stereo garage; passenger elevator repair and maintenance services; sports organizations; food sales; warehousing (excluding hazardous chemicals and surveillance products); housing leases; site leases; farm catering services; car rental; advertising design; property management; wholesale of textiles, knitwear and raw materials; design, planning of wisdom city; advertising production services, publishing services, domestic agent services.
3. Acquired through allocation			
Hunan XiangJiang New Area Investment Group Co., Ltd.	Land development	5,000,000,000	Industrial investment, land development investment, municipal road construction investment, public facilities construction investment, affordable housing construction investment (not directly involved in operation)

\* The English names are for identification purpose only.



Subsidiaries	Business nature	Registered capital	Business scope
Meixihu Investment (Changsha) Co., Ltd.	Land development	5,000,000,000	Land development and investment, urban infrastructure and environmental protection project investment, urban operation investment, real estate development, investment; urban infrastructure engineering construction, design and construction of environmental protection engineering, sewage treatment project, landscape engineering; advertising design, production and release; machinery rental services; sales of building materials; development of computer software and hardware.
湖南湘江新区市政建设投资有限公司 (Hunan XiangJiang New Area Municipal Construction Investment Co., Ltd.*)	Municipal road development	1,000,000,000	Construction investment, management and maintenance of urban infrastructure and public welfare urban construction projects (not allowed to engage in national financial supervision and financial credit businesses such as absorbing deposit, raising fund, entrust loan, issuing loans, etc.)

(Continued)

Subsidiaries	Actual investment up to period-end (in ten thousand yuan)	Actual net investment balance in subsidiaries	Holding proportion (%)	Voting right proportion (%)
1. Acquired through establishment or investment				
Hunan Dream Real Estate Development Co., Ltd.	50,000		100.00	100.00
Hunan Huanian Cultural Tourism Investment Co., Ltd.	10,000		100.00	100.00
Hunan Xiangxin Water Investment Co., Ltd.	50,000		100.00	100.00
Changsha Yuelushan National University Science and Technology City Construction Investment Co., Ltd.	100,000		100.00	100.00
2. Acquired through business combination under common control				
Hunan Xiangjiang City Operation Management Co., Ltd.	3,005.73		100.00	100.00
3. Acquired through allocation				
Hunan XiangJiang New Area Investment Group Co., Ltd.	1,449,413.81		100.00	100.00
Meixihu Investment (Changsha) Co., Ltd.	876,291.15		100.00	100.00
Hunan XiangJiang New Area Municipal Construction Investment Co., Ltd.	100,000		100.00	100.00

## (II) Remarks on changes in consolidation scope

### Subsidiaries newly brought into the consolidation scope

#### Remarks on subsidiaries acquired through direct establishment or investments

(1) The Company established Hunan Dream Real Estate Development Co., Ltd. in the current period. On February 21, 2017, Hunan Dream Real Estate Development Co., Ltd. was registered at Changsha Administration for Industry and Commerce, and obtained a business license with unified social credit code of 91430100MA4LC5DK9R with registered capital of 1 billion yuan, of

\* The English name is for identification purpose only.

which, 500 million yuan was contributed by the Company, accounting for 100% of the registered capital, which indicated that the Company held substantial control over it. It was brought to the consolidation scope since foundation.

(2) The Company established Hunan Huanian Cultural Tourism Investment Co., Ltd. in the current period. On May 17, 2017, Hunan Huanian Cultural Tourism Investment Co., Ltd. was registered at Changsha Administration for Industry and Commerce, and obtained a business license with unified social credit code of 91430100MA4LNK943K with registered capital of 100 million yuan, of which, 100 million yuan was contributed by the Company, accounting for 100% of the registered capital, which indicated that the Company held substantial control over it. It was brought to the consolidation scope since foundation.

(3) The Company established Hunan Xiangxin Water Investment Co., Ltd. in the current period. On April 19, 2017, Hunan Xiangxin Water Investment Co., Ltd. was registered at Changsha Administration for Industry and Commerce, and obtained a business license with unified social credit code of 91430100MA4LKCXM53 with registered capital of 500 million yuan, of which, 500 million yuan was contributed by the Company, accounting for 100% of the registered capital, which indicated that the Company held substantial control over it. It was brought to the consolidation scope since foundation.

(4) The Company established Changsha Yuelushan National University Science and Technology City Construction Investment Co., Ltd. in the current period. On April 26, 2017, Changsha Yuelushan National University Science and Technology City Construction Investment Co., Ltd. was registered at Changsha Administration for Industry and Commerce, and obtained a business license with unified social credit code of 91430100MA4LL9FT5T with registered capital of 5 billion yuan, of which, 1 billion yuan was contributed by the Company, accounting for 100% of the registered capital, which indicated that the Company held substantial control over it. It was brought to the consolidation scope since foundation.

(III) Entities newly included into the consolidation scope

Items	Closing balance of net assets	Net profit of the current period
Hunan Dream Real Estate Development Co., Ltd.	510,026,979.12	26,979.12
Hunan Huanian Cultural Tourism Investment Co., Ltd.	99,184,951.50	-815,048.50
Hunan Xiangxin Water Investment Co., Ltd.	499,974,793.55	-25,206.45
Changsha Yuelushan National University Science and Technology City Construction Investment Co., Ltd.	1,000,000,000.00	

(IV) Main financial data of significant associates

Investees	Closing balance of total assets	Closing balance of total liabilities	Closing balance of total net assets	Total operating revenue of the current period	Net profit of the current period
长沙梅溪湖金悦置业有限公司 (Changsha Meixihu Jinyue Properties Co., Ltd.)*	641,059,956.12	377,030,349.16	264,029,606.96	1,335,134,642.47	178,648,995.19
湖南临湘农村商业银行股份有限公司 (Hunan Linxiang Rural Commercial Bank Co., Ltd.)*	4,400,415,521.14	4,072,597,464.78	327,818,056.36	195,853,301.94	45,240,379.96

## VI. Notes to items of consolidated financial statements

Remarks: “Opening balance” in this report refers to balances as at January 1, 2017, while “closing balance” refers to balances as at December 31, 2017; and “current period” refers to the period from January 1, 2017 to December 31, 2017, while “preceding period” refers to the pro forma period from January 1, 2016 to December 31, 2016.

### (I) Notes to items of the consolidated balance sheet

#### 1. Cash and bank balances

Items	Closing balance	Opening balance
Cash on hand	216,924.00	112,738.96
Cash in bank	3,077,923,671.94	3,954,297,696.66
Total	3,078,140,595.94	3,954,410,435.62

#### 2. Accounts receivable

##### (1) Details

##### 1) Details on categories

Categories	Closing balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Amount	Provision proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis					
Receivables with provision made on a collective basis using portfolios with similar credit risk features	1,442,992,538.95	99.75	21,274.35		1,442,971,264.60
Receivable of individually insignificant amount but with provision made on an	3,615,634.71	0.25			3,615,634.71

\* The English names are for identification purpose only.

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
individual basis					
Total	1,446,608,173.66	100.00	21,274.35		1,446,586,899.31

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis					
Receivables with provision made on a collective basis using portfolios with similar credit risk features	1,687,705,067.61	99.95	6,888.11		1,687,698,179.50
Receivable of individually insignificant amount but with provision made on an individual basis	893,855.71	0.05			893,855.71
Total	1,688,598,923.32	100.00	6,888.11		1,688,592,035.21

2) In portfolios, accounts receivable with provision made on a collective basis with age analysis method

Ages	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	594,237.92	5,942.38	1.00
1-2 years	304,679.36	15,233.97	5.00
2-3 years	980.00	98.00	10.00
Subtotal	899,897.28	21,274.35	2.36

3) In portfolios, accounts receivable with provision made on a collective basis with other method

Ages	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Portfolio grouped with government fund receivables	1,442,092,641.67		
Subtotal	1,442,092,641.67		

(2) Provisions for bad debts made in current period totaled 14,386.24 yuan.

### 3. Advances paid

(1) Age analysis

Ages	Closing balance			
	Book balance	% to total	Provision for bad debts	Carrying amount

Ages	Closing balance			
	Book balance	% to total	Provision for bad debts	Carrying amount
Within 1 year	344,902,763.42	61.79		344,902,763.42
1-2 years	58,132,154.82	10.41		58,132,154.82
2-3 years	109,816,144.21	19.67		109,816,144.21
Over 3 years	45,358,689.22	8.13		45,358,689.22
Total	558,209,751.67	100.00		558,209,751.67

(Continued)

Ages	Opening balance			
	Book balance	% to total	Provision for bad debts	Carrying amount
Within 1 year	76,063,652.76	15.53		76,063,652.76
1-2 years	289,447,705.48	59.12		289,447,705.48
2-3 years	35,986,652.62	7.35		35,986,652.62
Over 3 years	88,158,552.17	18.00		88,158,552.17
Total	489,656,563.03	100.00		489,656,563.03

2) Reasons for unsettlement on advances paid with age over one year and significant amount

Debtors	Closing balance	Reasons for unsettlement
Changsha Yuelu District Land Expropriation Office	159,086,800.21	Compensation for resettlement and resettlement
Changsha Urban House Demolition Management Office	20,000,000.00	Compensation for resettlement and resettlement
金侨房地产开发（集团）有限公司 (Changsha Jinqiao Real Estate Development (Group) Co., Ltd.)*	15,383,200.00	Advanced payment for project
Subtotal	194,470,000.21	

(2) Details of the top 5 debtors with largest balances

Debtors	Book balance	Proportion to the total balance of advances paid (%)
Changsha Yuelu District Land Expropriation Office	323,716,337.91	57.99
大连龙锐达进出口有限公司 (Dalian Dragon-Leader Import & Export Co., Ltd.)*	43,400,000.00	7.77
深圳市润昌游乐文化集团有限公司 (Shenzhen Runchang Amusement Culture Group Co., Ltd.)*	32,855,902.10	5.89
上海海昌极地海洋生物科技有限公司 (Shanghai Haichang Polar Ocean Biotechnology Co., Ltd.)*	28,000,000.00	5.02
Changsha Yuelu District Yanghu Street Land Expropriation and	22,000,000.00	3.94

\* The English names are for identification purpose only.

Debtors	Book balance	Proportion to the total balance of advances paid (%)
Demolition Office		
Subtotal	449,972,240.01	80.61

#### 4. Other receivables

##### (1) Details

##### 1) Details on categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis					
Receivables with provision made on a collective basis using portfolios with similar credit risk features	1,528,435,566.26	100.00	1,047,867.79	0.07	1,527,387,698.47
Receivable of individually insignificant amount but with provision made on an individual basis					
Total	1,528,435,566.26	100.00	1,047,867.79	0.07	1,527,387,698.47

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis					
Receivables with provision made on a collective basis using portfolios with similar credit risk features	609,418,110.99	100.00	3,235,465.12	0.53	606,182,645.87
Receivable of individually insignificant amount but with provision made on an individual basis					
Total	609,418,110.99	100.00	3,235,465.12	0.53	606,182,645.87

##### 2) In portfolios, other receivables with provision made on a collective basis with age analysis method

Ages	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	1,005,949,009.14		
1-2 years	18,280.92	914.05	5.00

Ages	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
2-3 years	5,000.40	500.04	10.00
3-4 years	107,000.00	21,400.00	20.00
4-5 years	3,350,179.00	1,005,053.70	30.00
Over 5 years	20,000.00	20,000.00	100.00
Subtotal	1,009,449,469.46	1,047,867.79	0.10

3) In portfolios, other receivables with provision made on a collective basis with other method

Ages	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Portfolio grouped with advances paid on behalf and advances paid	514,975,963.80		
Portfolio grouped with government fund receivables	4,010,133.00		
Subtotal	518,986,096.80		

(2) Provisions for bad debts made in current period totaled -2,187,597.33 yuan.

(3) Details of the top 5 debtors with largest balances

Name	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables (%)
湖南湘江新区资产经营有限公司 (Hunan XiangJiang New Area Asset Management Co., Ltd. *)	Call loan	500,000,000.00	Within 1 year	32.71
长沙市麓山城市建设投资有限责任公司 (Changsha Lushan Urban Construction Investment Co., Ltd. *)	Call loan	500,000,000.00	Within 1 year	32.71
长沙中建未来科技城投资有限公司 (Changsha CSCEC Future Science and Technology City Investment Co., Ltd. *)	Advances paid on behalf	198,247,800.00	Within 1 year	12.97
湖南正湘置业有限公司 (Hunan Zhengxiang Property Co., Ltd. *)	Advances paid on behalf	183,000,000.00	1-2 years	11.97
Hunan XiangJiang New Area Management Committee	Advances paid on behalf	47,000,000.00	3-4 years	3.08
Subtotal		1,428,247,800.00		93.44

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## 5. Inventories

### (1) Details

Items	Closing balance		
	Book balance	Provision for write-down	Carrying amount
Raw materials	5,450,812.50		5,450,812.50
Goods on hand	454,744.09	112,160.21	342,583.88
Low-value consumables	3,008,016.52		3,008,016.52
Developed products	40,473,469,036.55		40,473,469,036.55
Total	40,482,382,609.66	112,160.21	40,482,270,449.45

(Continued)

Items	Opening balance		
	Book balance	Provision for write-down	Carrying amount
Raw materials	5,456,149.09		5,456,149.09
Goods on hand	480,996.05		480,996.05
Low-value consumables	2,716,430.42		2,716,430.42
Developed products	34,389,149,403.69		34,389,149,403.69
Total	34,397,802,979.25		34,397,802,979.25

### (2) Provision for inventory write-down

Items	Opening balance	Increase		Decrease		Closing balance
		Accrual	Others	Reversal or written-off	Others	
Goods on hand		112,160.21				112,160.21
Subtotal		112,160.21				112,160.21

### (3) Other instructions

As of the date of approval for issuance of the financial statements, the Company's subsidiary Hunan XiangJiang New Area Municipal Construction Investment Co., Ltd. and trustor have entered into the urban roads and infrastructure project contract amounting to 7.64 billion yuan, with contract on the urban roads and infrastructure project assets of 2.84 billion yuan hasn't been signed.

## 6. Other current assets

Items	Closing balance	Opening balance
Taxes to be credited	92,515,088.44	26,214,842.63
Financial products	500,000,000.00	50,000,000.00
Prepaid income tax	575,510.51	
Others	33,208.51	

Items	Closing balance	Opening balance
Total	593,123,807.46	76,214,842.63

## 7. Available-for-sale financial assets

### (1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Available-for-sale equity instrument	20,000,000.00		20,000,000.00			
Including: at cost	20,000,000.00		20,000,000.00			
Total	20,000,000.00		20,000,000.00			

### (2) Available-for-sale financial assets at cost

Investees	Book balance			
	Opening balance	Increase	Decrease	Closing balance
Changsha CSCEC Future Science and Technology City Investment Co., Ltd.		20,000,000.00		20,000,000.00
Subtotal		20,000,000.00		20,000,000.00

(Continue)

Investees	Provision for impairment				Holding proportion in investees (%)	Cash dividend in current period
	Opening balance	Increase	Decrease	Closing balance		
Changsha CSCEC Future Science and Technology City Investment Co., Ltd.					10.00	
Subtotal					10.00	

## 8. Long-term equity investments

### (1) Categories

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in associates	443,159,745.36		443,159,745.36	103,419,745.13		103,419,745.13
Total	443,159,745.36		443,159,745.36	103,419,745.13		103,419,745.13

### (2) Details

Investees	Opening balance	Increase/Decrease			
		Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income
Changsha Meixihu Jinyue Properties Co., Ltd.	79,419,745.13			53,594,698.56	
湖南中交梅溪湖综合管廊开发有限公司 (Hunan		31,802,400.00			

Investees	Opening balance	Increase/Decrease			
		Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income
CCCC Meixihu Utility Tunnel Investment Co., Ltd.*)					
Hunan Linxiang Rural Commercial Bank Co., Ltd.		44,400,000.00		4,524,038.00	
湖南株洲珠江农村商业银行股份有限公司 (Hunan Zhuzhou Pearl River Rural Commercial Bank Co., Ltd.)*)		213,300,000.00			
长沙梅溪湖保利大剧院管理有限公司 (Changsha Meixihu Baoli Theater Management Co., Ltd.)*)		1,200,000.00		60,460.50	
湖南中建湘和投资有限公司 (Hunan CSCEC Xianghe Investment Co., Ltd.)*)	24,000,000.00	10,040,000.00			
湖南新茂智慧能源有限公司 (Hunan Xinmao Intelligent Energy Co., Ltd.)*)		10,200,000.00		-25,206.45	
华捷保险代理有限责任公司 (Huajie Insurance Agency Co., Ltd.)*)		24,500,000.00		-50,828.78	
Total	103,419,745.13	335,442,400.00		58,103,161.83	

(Continued)

Investees	Increase/Decrease				Closing balance	Closing balance of provision for impairment
	Changes in other equity	Cash dividend/profit declared for distribution	Provision for impairment	Others		
Changsha Meixihu Jinyue Properties Co., Ltd.		53,805,561.60			79,208,882.09	
Hunan CCCC Meixihu Utility Tunnel Investment Co., Ltd.					31,802,400.00	
Hunan Linxiang Rural Commercial Bank Co., Ltd.					48,924,038.00	
Hunan Zhuzhou Pearl River Rural Commercial Bank Co., Ltd.					213,300,000.00	
Changsha Meixihu Baoli Theater Management Co., Ltd.					1,260,460.50	
Hunan CSCEC Xianghe Investment Co., Ltd.					34,040,000.00	
Hunan Xinmao Intelligent Energy Co., Ltd.					10,174,793.55	
Huajie Insurance Agency Co., Ltd.					24,449,171.22	
Total		53,805,561.60			443,159,745.36	

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9. Investment property

Items	Buildings and structures	Total
Cost		
Opening balance	1,243,150,386.54	1,243,150,386.54
Increase		
1) Acquisition		
Decrease		
Closing balance	1,243,150,386.54	1,243,150,386.54
Accumulated depreciation and amortization		
Opening balance	21,465,318.78	21,465,318.78
Increase	32,198,575.08	32,198,575.08
1) Accrual	32,198,575.08	32,198,575.08
Decrease		
Closing balance	53,663,893.86	53,663,893.86
Carrying amount		
Closing balance	1,189,486,492.68	1,189,486,492.68
Opening balance	1,221,685,067.76	1,221,685,067.76

10. Fixed assets

(1) Details

Items	Buildings and structures	Electronic equipment	Transport facilities	Office facilities	Other equipment	Total
Cost						
Opening balance		5,381,313.74	20,834,983.76	8,947,287.80	1,469,870.06	36,633,455.36
Increase	878,890.82	590,915.13	505,832.13	730,721.82	173,712.08	2,880,071.98
1) Acquisition	878,890.82	590,915.13	505,832.13	730,721.82	173,712.08	2,880,071.98
Decrease		87,415.00		109,771.00	89,887.90	287,073.90
1) Disposal/scrap				109,771.00	61,807.90	171,578.90
2) Others		87,415.00			28,080.00	115,495.00
Closing balance	878,890.82	5,884,813.87	21,340,815.89	9,568,238.62	1,553,694.24	39,226,453.44
Accumulated depreciation						
Opening balance		3,344,077.29	10,243,018.93	4,439,799.34	1,030,361.46	19,057,257.02
Increase	20,873.67	734,699.36	3,078,455.57	1,415,872.65	138,698.55	5,388,599.80
1) Accrual	20,873.67	734,699.36	3,078,455.57	1,415,872.65	138,698.55	5,388,599.80
Decrease		72,137.63		91,424.29	83,138.00	246,699.92
1) Disposal/scrap				91,424.29	58,717.50	150,141.79
2) Others		72,137.63			24,420.50	96,558.13
Closing balance	20,873.67	4,006,639.02	13,321,474.50	5,764,247.70	1,085,922.01	24,199,156.90
Carrying amount						
Closing balance	858,017.15	1,878,174.85	8,019,341.39	3,803,990.92	467,772.23	15,027,296.54

Items	Buildings and structures	Electronic equipment	Transport facilities	Office facilities	Other equipment	Total
Opening balance		2,037,236.45	10,591,964.83	4,507,488.46	439,508.60	17,576,198.34

## 11. Construction in progress

### (1) Details

Project	Closing balance		
	Book balance	Provision for impairment	Carrying amount
Binshui Commercial Street	161,670,508.82		161,670,508.82
Ice World	692,925,789.18		692,925,789.18
Dawang Mountain Tourism Resort Service Center	384,461,005.55		384,461,005.55
Four-star hotels	249,926,722.37		249,926,722.37
Wen Zheng College	33,456,786.76		33,456,786.76
Five-star hotels	426,472,992.08		426,472,992.08
Happy Ocean Park	10,879,280.94		10,879,280.94
Happy World Project	20,845,270.90		20,845,270.90
Cultural Arts Center	1,830,311,417.44		1,830,311,417.44
Meixihu Resort	87,682,116.53		87,682,116.53
Changsha Women and Children Hospital project	45,046,642.03		45,046,642.03
Office building decoration project	763,384.00		763,384.00
Leifeng water purification plant	9,620,521.33		9,620,521.33
other projects	2,897,318.56		2,897,318.56
Total	3,956,959,756.49		3,956,959,756.49

(Continued)

Project	Opening balance		
	Book balance	Provision for impairment	Carrying amount
Binshui Commercial Street	83,552,406.60		83,552,406.60
Ice World	309,799,728.29		309,799,728.29
Dawang Mountain Tourism Resort Service Center	343,646,247.02		343,646,247.02
Four-star hotels	210,721,038.49		210,721,038.49
Wen Zheng College	33,154,623.80		33,154,623.80
Five-star hotels	467,322,022.56		467,322,022.56
Happy Sky Street Project	6,926,548.82		6,926,548.82
Arts Cultural Center	1,151,742,822.52		1,151,742,822.52
Meixihu Resort	72,618,871.30		72,618,871.30
Changsha Women and	40,102,227.27		40,102,227.27

Project	Opening balance		
	Book balance	Provision for impairment	Carrying amount
Children Hospital project			
Other projects	26,253,312.57		26,253,312.57
Total	2,745,839,849.24		2,745,839,849.24

(2) Changes in significant projects

Projects	Opening balance	Increase	Transferred to fixed assets	Other decrease [Note]	Closing balance
Binshui Commercial Street	83,552,406.60	78,118,102.22			161,670,508.82
Ice World	309,799,728.29	383,126,060.89			692,925,789.18
Dawang Mountain Tourism Resort Service Center	343,646,247.02	40,814,758.53			384,461,005.55
Four-star hotel	210,721,038.49	73,618,318.39		34,412,634.51	249,926,722.37
Wen Zheng College	33,154,623.80	302,162.96			33,456,786.76
Five-star hotel	467,322,022.56	74,338,635.04		115,187,665.52	426,472,992.08
Happy Ocean Park		10,879,280.94			10,879,280.94
Happy World Project		20,845,270.90			20,845,270.90
Happy Sky Street Project	6,926,548.82			6,926,548.82	
Cultural Arts Center	1,151,742,822.52	678,568,594.92			1,830,311,417.44
Meixihu Resort	72,618,871.30	15,063,245.23			87,682,116.53
Changsha Women and Children Hospital project	40,102,227.27	4,944,414.76			45,046,642.03
Office building decoration project		763,384.00			763,384.00
Leifeng water purification plant		9,620,521.33			9,620,521.33
Other projects	26,253,312.57	140,487.17		23,496,481.18	2,897,318.56
Total	2,745,839,849.24	1,391,143,237.28		180,023,330.03	3,956,959,756.49

Note: Other decrease of 180,023,330.03 yuan in the current period is due to the adjustment of inter-project classification.

12. Intangible assets

Items	Land use right	Software	Total
Cost			
Opening balance	1,532,044,669.44	288,191.85	1,532,332,861.29
Increase	428,127,975.08	109,412.39	428,237,387.47
1) Acquisition	428,127,975.08	109,412.39	428,237,387.47
Decrease			
Closing balance	1,960,172,644.52	397,604.24	1,960,570,248.76
Accumulated amortization			

Items	Land use right	Software	Total
Opening balance	69,289,795.01	128,748.64	69,418,543.65
Increase	45,091,199.54	65,225.38	45,156,424.92
1) Accrual	45,091,199.54	65,225.38	45,156,424.92
Decrease			
Closing balance	114,380,994.55	193,974.02	114,574,968.57
Carrying amount			
Closing balance	1,845,791,649.97	203,630.22	1,845,995,280.19
Opening balance	1,462,754,874.43	159,443.21	1,462,914,317.64

### 13. Other non-current assets

Items	Closing balance	Opening balance
Prepaid land purchase funds	116,660,000.00	337,893,628.00
Prepay project investment funds		20,400,000.00
Prepaid property purchase funds	61,158,000.00	31,158,000.00
Prepaid software	1,757,372.12	637,884.62
Total	179,575,372.12	390,089,512.62

### 14. Short-term borrowings

Items	Closing balance	Opening balance
Mortgaged borrowings	70,000,000.00	
Credit borrowings	30,000,000.00	
Pledged borrowings		80,000,000.00
Total	100,000,000.00	80,000,000.00

### 15. Accounts payable

Items	Closing balance	Opening balance
Payment for goods and equipment	20,665,531.79	4,362,766.70
Construction payments	2,389,060,819.86	2,657,334,809.99
Total	2,409,726,351.65	2,661,697,576.69

### 16. Advances received

#### (1) Details

Ages	Closing balance	Opening balance
Within 1 year	198,301,612.58	349,310,855.78
1-2 years	136,418,973.07	667,146,964.17
2-3 years	48,469,793.07	3,510,724,726.03
over 3 years	5,011,316,541.59	1,600,000,000.00



Ages	Closing balance	Opening balance
Total	5,394,506,920.31	6,127,182,545.98

(2) Significant advances received with age over one year

Items	Closing balance	Reasons for unsettlement
长沙兴茂投资有限公司 (Changsha Xingmao Investment Co., Ltd.*)	4,339,255,368.83	Cooperation fund for Meixihu Phase II and Land A project

17. Employee benefits payable

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	35,082,124.55	139,586,334.67	132,696,822.51	41,971,636.71
Post-employment benefits - defined benefit plan		7,353,691.91	7,353,087.11	604.80
Total	35,082,124.55	146,940,026.58	140,049,909.62	41,972,241.51

(2) Details of short-term employee benefits

Items	Opening balance	Increase	Decrease	Closing balance
Wage, bonus, allowance and subsidy	35,082,124.55	111,501,041.43	104,612,463.48	41,970,702.50
Employee welfare fund		2,305,402.95	2,305,402.95	
Social insurance premium		14,583,793.97	14,583,515.76	278.21
Including: Medicare premium		13,960,119.27	13,959,877.35	241.92
Occupational injuries premium		389,686.75	389,671.63	15.12
Maternity premium		233,987.95	233,966.78	21.17
Housing provident funds		6,366,160.72	6,365,504.72	656.00
Trade union fund and employee education fund		4,829,935.60	4,829,935.60	
Subtotal	35,082,124.55	139,586,334.67	132,696,822.51	41,971,636.71

(3) Details of defined benefit plan

Items	Opening balance	Increase	Decrease	Closing balance
Basic endowment insurance premium		7,075,566.27	7,074,991.71	574.56
Unemployment insurance premium		278,125.64	278,095.40	30.24
Subtotal		7,353,691.91	7,353,087.11	604.80

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18. Taxes and rates payable

Items	Closing balance	Opening balance
VAT	7,716,262.22	1,155,412.00
Business tax		989,396.28
Enterprise income tax	1,454,436.87	1,875,146.48
Individual income tax withheld for tax authorities	1,645,838.09	1,547,484.52
Urban maintenance and construction tax	548,446.68	111,637.99
Housing property tax	772,192.61	295,418.51
Land use tax		13,333.33
Stamp duty	398,606.22	502,473.19
Education surcharge	231,446.86	48,855.19
Local education surcharge	154,297.51	31,108.21
Water conservancy construction fund	11,287.24	9,982.84
Others	2,104.84	
Total	12,934,919.14	6,580,248.54

19. Interest payable

Items	Closing balance	Opening balance
Borrowing interest	19,764,460.61	21,466,720.40
Bond interest	220,702,808.46	136,657,704.92
Medium-term notes interest	4,456,328.77	4,424,043.72
Total	244,923,597.84	162,548,469.04

20. Other payables

Ages	Closing balance	Opening balance
Within 1 year	276,472,706.32	354,074,362.65
1-2 years	198,722,226.31	113,982,131.91
2-3 years	46,597,108.42	37,561,295.29
Over 3 years	48,634,675.33	53,841,421.80
Total	570,426,716.38	559,459,211.65

21. Non-current liabilities due within one year

Items	Closing balance	Opening balance
Long-term borrowings due within one year	30,400,000.00	125,000,000.00
Long-term payable due within one year	798,000,000.00	380,000,000.00
Bonds payable within one year	360,000,000.00	360,000,000.00
Total	1,188,400,000.00	865,000,000.00

22. Long-term borrowings

(1) Details

Items	Closing balance	Opening balance
Mortgaged, secured borrowings	1,694,000,000.00	840,000,000.00
Secured borrowings	3,925,262,109.50	
Credit borrowings	1,987,058,140.50	
Pledged borrowings		620,000,000.00
Total	7,606,320,250.00	1,460,000,000.00

(2) Other remarks

Loan unit	Commencement date	Maturity date	Currency	Annual interest rate (%)	Amount
China Construction Bank, Changsha Xingxiang Sub-branch	9/26/2016	9/26/2023	RMB	4.66%	594,000,000.00
China Construction Bank, Changsha Xingxiang Sub-branch	3/14/2016	3/14/2023	RMB	4.90%	100,000,000.00
China Construction Bank, Changsha Xingxiang Sub-branch	2/3/2017	2/3/2024	RMB	4.58%	1,000,000,000.00
Agricultural Bank of China, Hunan Branch	3/16/2017	3/15/2025	RMB	4.58%	590,000,000.00
Agricultural Bank of China, Hunan Branch	4/7/2017	3/15/2025	RMB	4.58%	130,000,000.00
Hengfeng Bank, Changsha Branch	4/7/2017	4/7/2022	RMB	4.51%	750,000,000.00
Everbright Bank, Changsha Xinhua Sub-branch	6/8/2017	6/7/2022	RMB	4.80%	700,000.00
Everbright Bank, Changsha Xinhua Sub-branch	7/28/2017	6/7/2022	RMB	4.99%	99,700,000.00
Huaxia Bank, Changsha Branch	7/28/2017	7/28/2019	RMB	4.75%	100,000,000.00
Bank of Communications, Hunan Branch	8/14/2017	8/10/2020	RMB	4.99%	98,000,000.00
Huaxia Bank, Changsha Branch	12/27/2017	12/27/2024	RMB	5.15%	100,000,000.00
Agricultural Bank of China, Changsha Xianfeng Sub-branch	12/14/2017	12/14/2019	USD	2.75%	158,454,350.00
Bank of Changsha, Hualong Sub-branch	12/28/2017	10/28/2020	RMB	5.46%	200,000,000.00
Bank of Changsha, Hualong Sub-branch	4/29/2017	4/29/2020	RMB	4.51%	400,000,000.00
Huarong Xiangjiang Bank, Changsha Xiangjiang Middle Road Sub-branch	6/1/2017	6/1/2020	RMB	4.75%	99,990,000.00
Hengfeng Bank, Changsha Branch	3/24/2017	3/24/2022	RMB	4.66%	750,000,000.00
Agricultural Bank of China, Hunan Branch	3/20/2017	3/20/2020	EUR	0.75%	257,475,900.00
China Construction Bank, Hunan Branch	4/17/2017	4/17/2020	RMB	4.44%	145,000,000.00
China Construction Bank, Hunan Branch	5/17/2017	4/17/2020	RMB	4.75%	135,000,000.00
Industrial and Commercial Bank of China, Changsha Fenglin Sub-branch	5/2/2017	4/13/2020	RMB	4.99%	200,000,000.00

Loan unit	Commencement date	Maturity date	Currency	Annual interest rate (%)	Amount
Industrial and Commercial Bank of China, Changsha Fenglin Sub-branch	8/3/2017	8/2/2020	RMB	4.99%	200,000,000.00
Industrial and Commercial Bank of China, Changsha Fenglin Sub-branch	9/30/2017	9/19/2020	RMB	4.99%	200,000,000.00
Changsha Rural Commercial Bank, Caizhuan Sub-branch	5/25/2017	5/20/2020	RMB	4.75%	1,000,000,000.00
Bank of Sanxiang	9/29/2017	9/29/2019	RMB	5.23%	298,000,000.00
Total					7,606,320,250.00

### 23. Bonds payable

#### (1) Details

Items	Closing balance	Opening balance
Medium-term notes	100,000,000.00	100,000,000.00
Bonds payable	4,080,000,000.00	4,440,000,000.00
Total	4,180,000,000.00	4,540,000,000.00

#### (2) Current period movements

Bond name	Medium-term notes	Bonds payable		Total
Amount outstanding	100,000,000.00	1,800,000,000.00	3,000,000,000.00	4,900,000,000.00
Issuing date	5/23/2014	3/17/2014	9/22/2016	
Maturity	5/23/2019	3/16/2021	9/21/2021	
Opening balance	100,000,000.00	1,440,000,000.00	3,000,000,000.00	4,540,000,000.00
Current period issuance [Note]				
Current period repayment				
Other decrease [Note]		360,000,000.00		
Closing balance	100,000,000.00	1,080,000,000.00	3,000,000,000.00	4,180,000,000.00

Note: Current decrease is due to the transfer into bonds payable due within one year.

### 24. Long-term payables

#### (1) Details

Items	Closing balance	Opening balance
Entrusted loans	3,525,000,000.00	4,305,000,000.00
Government borrowings	1,554,300,000.00	1,554,300,000.00
Other borrowings	1,294,000,000.00	28,000,000.00
Total	6,373,300,000.00	5,887,300,000.00

(2) Other remarks

1) The Company entrusted Hunan XiangJiang New Area Land Reserve (Trade) Center to obtain a loan of 4,685,000,000.00 yuan from the bank, of which, 780,000,000.00 yuan was due within one year and 380,000,000.00 yuan was repaid in the current period.

2) Government borrowings are payables due to the Finance Bureau of Hunan XiangJiang New Area Management Committee.

25. Special payables

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Special payables	1,085,374,994.93	2,178,242,634.26	558,115,411.15	2,705,502,218.04
Total	1,085,374,994.93	2,178,242,634.26	558,115,411.15	2,705,502,218.04

(2) Other remarks

Items	Opening balance	Increase	Decrease	Closing balance
Special fund for pilot area exhibition hall	10,853,204.33			10,853,204.33
Special construction fund for shanty-area renovation	70,310,000.00	23,000,000.00		93,310,000.00
The first batch of provincial special fund for heavy metal pollution prevention and control of 2016	19,000,000.00			19,000,000.00
Provincial special fund for two oriented society construction	80,000.00			80,000.00
Municipal special fund for green restoration of 2016	270,000.00	80,000.00		350,000.00
Xiangjun Cultural Park		17,335,800.00		17,335,800.00
Duffy leisure sightseeing cruise	9,000,000.00			9,000,000.00
Electronic information industry support	100,000,000.00		2,733,485.19	97,266,514.81
Fenglin Road transformation	15,000,000.00			15,000,000.00
Rivers and lakes connected project	50,000,000.00			50,000,000.00
Comprehensive renovation project of Leifeng River	10,000,000.00			10,000,000.00
Comprehensive improvement of Leifeng Lake and Longwang Port Phase III	10,000,000.00			10,000,000.00
Longwang Port basin water environment improvement and water resources utilization project	30,500,000.00		11,000,000.00	19,500,000.00
Meixihu affordable housing Phase II	287,010,000.00	60,915,652.06		347,925,652.06
Meixihu affordable housing Phase I	287,677,500.00	76,408,127.89		364,085,627.89
Comprehensive improvement lake renovation of Meixihu	34,200,000.00		34,200,000.00	
West area of Meixihu	7,100,000.00			7,100,000.00
Meixihu comprehensive development and utilization	23,800,000.00		23,800,000.00	

Items	Opening balance	Increase	Decrease	Closing balance
engineering				
Tunnel project of Third Ring Road	71,256,500.00	15,945,500.00		87,202,000.00
Meixihu New City National Green Ecological Demonstration District		63,561,102.60		63,561,102.60
Intelligent water affairs		4,000,000.00		4,000,000.00
Cultural Arts Center		6,718,700.00		6,718,700.00
Women and children hospital construction funds	35,000,000.00		35,000,000.00	
other projects	14,317,790.60	26,441.13	181,102.60	14,163,129.13
Xiaohe black and odorous water treatment project		4,800,000.00		4,800,000.00
Back and odorous treatment project of Longwang Port (Nanyuan Road - Fenglin Road Section)		10,000,000.00		10,000,000.00
Funds for daily maintenance and management of water quality of Meixihu		1,023,980.00		1,023,980.00
Longwang Port basin water management fund		25,200,000.00		25,200,000.00
Construction fund for Leifeng water purification plant (phase I)		20,000,000.00		20,000,000.00
Special fund from leadership group office of 2017		3,116,000.00	960,823.36	2,155,176.64
Comprehensive improvement project of Lushan South Road		300,000,000.00		300,000,000.00
Hanpu Road (Bachelor's Contact Line-West Second Ring) - others		133,493,089.86		133,493,089.86
Huda Road (Qingshui Road-Jinjiang Road) engineering		25,000,000.00		25,000,000.00
Mayuan Road (Huda Road-Fubuhe Road) engineering		55,000,000.00		55,000,000.00
Houhu Road (Qingshui Road-Fubuhe Road) - others		120,258,566.84		120,258,566.84
Lujing Road south extension project - others		17,170,000.00		17,170,000.00
Traffic improvement project of West Second Ring - others		634,909,673.88		634,909,673.88
Prophase of Xiangfu Road (Hexi section) expressway transformation project		100,000,000.00		100,000,000.00
Yuening Road (Yuelu section)		10,040,000.00		10,040,000.00
Lianping Road - others		100,000,000.00	100,000,000.00	
Bafang Park - others		120,000.00	120,000.00	
Upgrading works of Xiangjiang West River Bank (Yinpenling-JinjiangHe) - others		250,120,000.00	250,120,000.00	
Cross-region bottleneck, dead end road project		100,000,000.00	100,000,000.00	
Total	1,085,374,994.93	2,178,242,634.26	558,115,411.15	2,705,502,218.04

26. Deferred income

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Government grants	80,785,136.00		1,865,935.00	78,919,201.00
Share in income of High-tech Zone cooperation projects	158,662,010.81		42,345,553.14	116,316,457.67
Total	239,447,146.81		44,211,488.14	195,235,658.67

(2) Details of government grants

Items	Opening balance	Increase	Included in non-operating revenue in current period	Other movements	Closing balance	Related to assets/income
Subsidy for International Cultural Arts Center	24,195,736.00		283,015.00		23,912,721.00	Related to assets
Meixihu International Cultural and Arts Center Commercial Complex Project	56,589,400.00		1,582,920.00		55,006,480.00	Related to assets
Total	80,785,136.00		1,865,935.00		78,919,201.00	

27. Other non-current liabilities

Items	Closing balance	Opening balance
Education construction funds	399,720,000.00	399,720,000.00
Land reserve funds		789,407,758.27
Total	399,720,000.00	1,189,127,758.27

28. Paid-in capital

(1) Details

Investors	Opening balance	Increase	Decrease	Closing balance
Hunan XiangJiang New Area Management Committee	21,107,897,511.60		21,107,897,511.60	
State-owned Assets Supervision and Administration Commission of Changsha Municipal People's Government (hereinafter referred to as the "Changsha SASAC")		22,115,697,511.60		22,115,697,511.60
Total	21,107,897,511.60	22,115,697,511.60	21,107,897,511.60	22,115,697,511.60

(2) Remarks on movements

1) In December 2016, Hunan XiangJiang New Area Management Committee and Changsha SASAC entered into the "Gratuitous Transfer Agreement of State-Owned Equity". Pursuant to the document numbered Chang Zheng Fa [2016] 13 issued by Changsha Municipal People's

Government and the “Reply on Gratuitous Transfer of Equity of Hunan XiangJiang New Area Development Group Co., Ltd.” issued by Hunan XiangJiang New Area Management Committee, Hunan XiangJiang New Area Management Committee gratuitously transferred 100% equity of the Company to Changsha SASAC.

On June 30, 2016, pursuant to the documents numbered Chang Zheng Ban Fa [2016] 40 and Chang Zheng Ban Han [2016] 57, Changsha SASAC and Finance Bureau of Hunan XiangJiang New Area Management Committee entered into the “Entrusted Regulation Agreement” concerning the Company.

2) In the current period, the Company received funds of 1,007,800,000.00 yuan from Finance Bureau of Hunan XiangJiang New Area Management Committee.

### 29. Capital reserve

#### (1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Capital/share premium	761,708,619.62	789,407,758.27	439,145,973.50	1,111,970,404.39
Total	761,708,619.62	789,407,758.27	439,145,973.50	1,111,970,404.39

#### (2) Other remarks

Current increase is due to the transfer-in of land reserve fund amounting to 789,407,758.27 yuan of the subsidiary Hunan XiangJiang New Area Investment Group Co., Ltd. under approval of Hunan XiangJiang New Area Management Committee.

As Hunan XiangJiang New Area Management Committee took back three parcels of land (Chang Guo Yong (2011) No. 110570, Chang Xian Dao Guo Yong (2012) Rong No. 024 and Chang Xian Dao Guo Yong (2012) Rong No. 023) that held by Hunan XiangJiang New Area Investment Group Co., Ltd., capital reserve is decreased by 439,145,973.50 yuan.

### 30. Surplus reserve

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve		21,621,802.07		21,621,802.07
Total		21,621,802.07		21,621,802.07

Current increase is due to the appropriation of statutory surplus reserve at 10% of net profit generated by the parent company.

### 31. Undistributed profit

#### (1) Details

Items	Current period cumulative	Appropriation/ Distribution proportion



Items	Current period cumulative	Appropriation/ Distribution proportion
Balance before adjustment at the end of preceding period	252,786,772.88	
Add: Increase due to adjustment (or less: decrease)	-37,525,075.08	
Opening balance after adjustment	215,261,697.80	
Add: Net profit attributable to owners of the parent company	287,053,230.58	
Less: Appropriation of statutory surplus reserve	21,621,802.07	10%
Dividend payable on ordinary shares	56,839,200.00	
Closing balance	423,853,926.31	

(2) Details of adjustments on opening balance

Due to significant error correction of prior period, opening balance of undistributed profit amounting to -37,525,075.08 yuan was affected. Please refer to section III (XXIII) for details.

(II) Notes to items of the parent company income statement

1. Operating revenue/Operating cost

(1) Details

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	2,188,301,669.87	1,860,922,827.67	2,895,366,958.80	2,590,187,747.29
Other operations	5,383,324.20		4,353,843.41	938,776.76
Total	2,193,684,994.07	1,860,922,827.67	2,899,720,802.21	2,591,126,524.05

(2) Revenue from main operations/Cost of main operations (by products)

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Primary land development	1,996,258,753.38	1,727,626,459.68	2,608,859,843.85	2,312,656,030.77
Including: Meixihu District	705,863,717.52	582,768,436.86	1,341,703,873.85	1,124,832,428.16
Dawang Mountain District	1,290,395,035.86	1,144,858,022.82	1,267,155,970.00	1,187,823,602.61
Urban roads and infrastructure projects			225,571,469.42	214,132,818.02
Asset operations and services	79,969,012.52	73,087,637.84	60,935,645.53	63,398,898.50
Administrative income	112,073,903.97	60,208,730.15		
Subtotal	2,188,301,669.87	1,860,922,827.67	2,895,366,958.80	2,590,187,747.29

2. Taxes and surcharge for operations

Items	Current period cumulative	Preceding period comparative
Business tax	140,930.70	1,571,275.76
Urban maintenance and construction tax	829,143.01	233,195.15

Items	Current period cumulative	Preceding period comparative
Education surcharge	373,524.41	154,301.25
Local education surcharge	212,944.84	12,228.21
Stamp duty [Note]	2,547,005.86	313,911.34
Land use tax [Note]	1,938,558.27	1,431,701.11
Housing property tax [Note]	5,444,071.91	1,561,672.88
Water conservancy construction fund	13,861.01	22,085.64
Total	11,500,040.01	5,300,371.34

Note: Pursuant to Provisions on Accounting Treatment of Value-Added Tax (numbered Cai Kuai [2016] 22) and Interpretation about Provisions on Accounting Treatment of Value-Added Tax that issued by Ministry of Finance, amounts of housing property tax, land use tax and stamp duty for the period from May to December, 2016 are listed in “taxes and surcharge for operations”, while those for the period prior to May 2016 are listed in “administrative expenses”.

### 3. Financial expenses

Items	Current period cumulative	Preceding period comparative
Interest expenditures	2,346,169.22	2,024,010.20
Less: Interest income	5,565,041.98	1,985,501.23
Bank handling fees	213,530.34	106,824.11
Total	-3,005,342.42	145,333.08

### 4. Assets impairment loss

Items	Current period cumulative	Preceding period comparative
Bad debts	-2,173,211.09	1,961,230.56
Inventory write-down loss	112,160.21	
Total	-2,061,050.88	1,961,230.56

### 5. Investment income

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	58,103,161.83	7,835,787.79
Interest income of financial products		3,117,008.56
Total	58,103,161.83	10,952,796.35

### 6. Other income

Items	Current period cumulative	Preceding period comparative
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Items	Current period cumulative	Preceding period comparative
Amortization of deferred income transferred in [Note]	1,582,920.00	
Special payables transferred in	12,733,485.19	
Government grants [Note]	5,000.00	
Total	14,321,405.19	

Note: Please refer to notes to government grants for details on grants included into other income.

## 7. Non-operating revenue

### (1) Details

Items	Current period cumulative	Preceding period comparative
Government grants	955,675.00	33,485,800.00
Others	200,119.10	98,304.95
Total	1,155,794.10	33,584,104.95

Please refer to notes to government grants for details on grants included into non-operating revenue.

## 8. Non-operating expenditure

Items	Current period cumulative	Preceding period comparative
Compensation and default fines	4,313,984.00	
Donations	5,047,925.00	120,000.00
Others	716,680.11	196,567.36
Total	10,078,589.11	316,567.36

## 9. Income tax expenses

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses	2,380,647.51	797,473.15
Total	2,380,647.51	797,473.15

## (III) Notes to items of the consolidated cash flow statement

### 1. Other cash receipts related to operating activities

#### (1) Details

Items	Current period cumulative
Subsidy income	20,877,779.10
Interest income	2,500,067.60
Special construction fund for Meixihu affordable housing Phase	76,408,127.89

Items	Current period cumulative
I	
Special construction fund for Meixihu affordable housing Phase II	60,915,652.06
Special construction fund for Tunnel project of Third Ring Road	5,945,500.00
Special fund for Meixihu New City National Green Ecological Demonstration District	14,380,000.00
Special fund for Intelligent water affairs	4,000,000.00
Special fund for Cultural Arts Center	6,718,700.00
Special construction fund for shanty-area renovation	23,000,000.00
Hanpu Road (Bachelor's Contact Line-West Second Ring) - others	18,010,000.00
Huda Road (Qingshui Road-Jinjiang Road) engineering	25,000,000.00
Mayuan Road (Huda Road-Fubuhe Road) engineering	55,000,000.00
Houhu Road (Qingshui Road- Fubuhe Road) - others	40,510,000.00
Lujing Road south extension project - others	17,170,000.00
Traffic improvement project of West Second Ring - others	561,900,000.00
Yuening Road (Yuelu section)	10,040,000.00
Xiaohu black and odorous water treatment project	4,800,000.00
Black and odorous treatment project of Longwang Port (Nanyuan Road - Fenglin Road Section)	10,000,000.00
Funds for daily maintenance and management of water quality of Meixihu	1,023,980.00
Longwang Port basin water management fund	25,200,000.00
Construction fund for Leifeng water purification plant (phase I)	20,000,000.00
Special fund from leadership group office of 2017	3,116,000.00
Comprehensive improvement project of Lushan South Road	300,000,000.00
Other special funds	17,442,241.13
Total	1,323,958,047.78

## 2. Other cash payments related to operating activities

Items	Current period cumulative
Non-operating expenditures	10,078,589.11
Selling expenses paid in cash	4,114,585.68
Administrative expenses paid in cash	38,187,022.90
Other current accounts	869,344,964.64
Total	921,725,162.33

## 3. Other cash payments related to financing activities

### (1) Details

Items	Current period cumulative
Repayment of loans to Hunan XiangJiang New Area Land Reserve Center	266,000,000.00
Financial consultant fees	34,939,853.19
Total	300,939,853.19

#### 4. Supplement information to the cash flow statement

##### (1) Supplement information to the cash flow statement

Supplement information	Current period cumulative	Preceding period comparative
(1) Reconciliation of net profit to cash flow from operating activities:		
Net profit	282,599,906.40	269,271,687.81
Add: Provision for assets impairment loss	-2,061,050.88	1,961,230.56
Depreciation of fixed assets, oil and gas assets, productive biological assets	37,371,306.97	5,581,034.58
Amortization of intangible assets	2,168,089.41	38,159,471.81
Amortization of long-term prepayments	50,966.65	307,753.33
Loss on disposal of fixed assets, intangible assets and other non-current assets (Less: gains)	-38,799.60	14,496.70
Fixed assets retirement loss (Less: gains)		
Losses on changes in fair value (Less: gains)		
Financial expenses (Less: gains)	-718,805.16	
Investments losses (Less: gains)	-58,103,161.83	-10,952,796.35
Decrease of deferred tax assets (Less: increase)		
Increase of deferred tax liabilities (Less: decrease)		
Decrease in inventories (Less: increase)	-5,723,480,656.53	-2,677,545,594.89
Decrease in operating receivables (Less: increase)	-819,154,765.18	-1,436,360,389.06
Increase of operating payables (Less: decrease)	617,579,387.67	-1,802,201,847.06
Others		
Net cash flow from operating activities	-5,663,787,582.08	-5,611,764,952.57
(2) Significant investing and financing activities not related to cash receipts and payments:		
Conversion of debt into share capital		
Convertible bonds due within one year		
Fixed assets rented in under finance leases		
(3) Net changes in cash and cash equivalents:		
Cash at the end of the period	3,078,140,595.94	3,954,410,435.62
Less: Cash at the beginning of the period	3,954,410,435.62	4,488,324,441.29
Add: Cash equivalents at the end of the period		

Supplement information	Current period cumulative	Preceding period comparative
Less: Cash equivalents at the beginning of the period		
Net increase of cash and cash equivalents	-876,269,839.68	-533,914,005.67

(2) Cash and cash equivalents

Items	Closing balance	Opening balance
1) Cash	3,078,140,595.94	3,954,410,435.62
Including: Cash on hand	216,924.00	112,738.96
Cash in bank on demand for payment	3,077,923,671.94	3,954,297,696.66
Other cash and bank balances on demand for payment		
Central bank deposit on demand for payment		
Deposit in other banks		
Loans to other banks		
2) Cash equivalents		
Including: Bond investments maturing within three months		
3) Cash and cash equivalents at the end of the period	3,078,140,595.94	3,954,410,435.62

(IV) Other

1. Assets with title or use right restrictions

Items	Closing carrying amount	Reasons for restrictions
Inventories	616,108,500.00	Pledged for bank long-term borrowings
Inventories	683,939,900.00	Collaterals of external guarantees
Intangible assets	419,833,776.86	Pledged for bank long-term borrowings
Total	1,719,882,176.86	

2. Monetary items in foreign currencies

Items	Closing balance in foreign currencies	Exchange rate	RMB equivalent
Cash and bank balances			
Including: USD	24,250,235.76	6.5342	158,455,890.50
EUR	3,000,002.55	7.8023	23,406,919.90
Long-term borrowings			
Including: USD	24,250,000.00	6.5342	158,454,350.00
EUR	33,000,000.00	7.8023	257,475,900.00

### 3. Government grants

#### (1) Government grants related to assets

##### Gross method

Items	Opening balance of deferred income	Increase	Amortization	Closing balance of deferred income	Amortization presented under	Remarks
Subsidy for International Cultural Arts Center	24,195,736.00		283,015.00	23,912,721.00	Non-operating revenue	
Meixihu International Cultural and Arts Center Commercial Complex Project	56,589,400.00		1,582,920.00	55,006,480.00	Other income	
Subtotal	80,785,136.00		1,865,935.00	78,919,201.00		

#### (2) Government grants related to income and used to compensate incurred relevant costs, expenses or losses

Items	Amount	Presented under	Remarks
Special subsidy fund for renewable energy building application	305,736.00	Non-operating revenue	
Fund for maintaining stability	200,000.00	Non-operating revenue	
Special construction fund for "Green City" of 2016	80,000.00	Non-operating revenue	
special subsidy for the first batch of demonstration project of renewable energy application in XiangJiang New Area	56,924.00	Non-operating revenue	
Supporting fund	30,000.00	Non-operating revenue	
Work safety	5,000.00	Other income	
Subtotal	677,660.00		

2. In the current period, government grants included into profit or loss totaled 15,277,080.19 yuan, of which, 12,733,485.19 yuan was transferred in from special payables.

## VII. Commitments and contingencies

### (I) Contingencies

Contingent liabilities incurred by providing debt guarantees for other entities and the financial effect

#### 1. Guarantee

Guaranteed parties	Financial institutions granting borrowings	Amount of borrowings guaranteed	Term of guarantee	Remarks
XiangJiang New Area Land Reserve (Trading) Center	Agricultural Development Bank of China, Changsha Jianxiang Sub-Branch	2 billion	12/31/2014 to 12/30/2019	

#### 2. Mortgage

Guaranteed	Collateral	Collateral	Carrying	Amount of	Borrowings	Remarks
------------	------------	------------	----------	-----------	------------	---------

parties	owners		amount (in ten thousand yuan)	borrowings guaranteed (in ten thousand yuan)	maturity date	
XiangJiang New Area Land Reserve (Trading) Center	China Merchants Bank Co., Ltd., Changsha Branch	Chang Guo Yong (2012) Di Rong 004	52,738.00	32,000.00	5/15/2020	Master contract No. 61DK150015
		Chang Xian Dao Guo Yong (2012) Di Rong 025	15,655.99			

(II) Commitments

As of the balance sheet date, the Company has no commitments to be disclosed.

**VIII. Notes to items of parent company financial statements**

(I) Notes to items of parent company balance sheet

1. Other receivables

(1) Details

1) Details on categories

Categories	Closing balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Amount	Provision proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis					
Receivables with provision made on a collective basis using portfolios with similar credit risk features	502,621,699.30	100.00			502,621,699.30
Receivable of individually insignificant amount but with provision made on an individual basis					
Total	502,621,699.30	100.00			502,621,699.30

(Continued)

Categories	Opening balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Amount	Provision proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis					
Receivables with provision made on a collective basis using portfolios with similar credit risk features	30,433,521.67	100.00			30,433,521.67
Receivable of individually insignificant amount but with provision made on an individual basis					
Total	30,433,521.67	100.00			30,433,521.67

2) In portfolios, other receivables with provision made on a collective basis with age analysis



method

Ages	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	500,253,600.00		
Subtotal	500,253,600.00		

3) In portfolios, other receivables with provision made on a collective basis with other method

Ages	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Portfolio grouped with advances paid on behalf and advances paid	1,422,215.30		1,422,215.30
Portfolio grouped with internal receivables	945,884.00		945,884.00
Subtotal	2,368,099.30		2,368,099.30

(2) Major other receivables at the end of the period

Debtors	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts
Hunan XiangJiang New Area Asset Management Co., Ltd.	Call loan	500,000,000.00	Within 1 year	99.48	
Subtotal		500,000,000.00	Within 1 year	99.48	

## 2. Long-term equity investments

(1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	26,387,106,907.11		26,387,106,907.11	22,177,049,646.65		22,177,049,646.65
Investments in associates and joint ventures	24,449,171.22		24,449,171.22			
Total	26,411,556,078.33		26,411,556,078.33	22,177,049,646.65		22,177,049,646.65

(2) Investments in subsidiaries

Investees	Opening balance	Increase	Decrease	Closing balance	Provision for impairment made in current period	Closing balance of provision for impairment
Hunan XiangJiang New Area Investment Group Co., Ltd.	13,514,138,127.92	980,000,000.00		14,494,138,127.92		
Meixihu Investment (Changsha) Co., Ltd.	8,562,911,518.73	200,000,000.00		8,762,911,518.73		
Hunan XiangJiang New Area Municipal Construction	100,000,000.00	900,000,000.00		1,000,000,000.00		

Investees	Opening balance	Increase	Decrease	Closing balance	Provision for impairment made in current period	Closing balance of provision for impairment
Investment Co., Ltd.						
Hunan Xiangjiang City Operation Management Co., Ltd.		30,057,260.46		30,057,260.46		
Hunan Huanian Cultural Tourism Investment Co., Ltd.		100,000,000.00		100,000,000.00		
Changsha Yuelushan National University Science and Technology City Construction Investment Co., Ltd.		1,000,000,000.00		1,000,000,000.00		
Hunan Xiangxin Water Investment Co., Ltd.		500,000,000.00		500,000,000.00		
Hunan Dream Real Estate Development Co., Ltd.		500,000,000.00		500,000,000.00		
Subtotal	22,177,049,646.65	4,210,057,260.46		26,387,106,907.11		

(3) Investments in associates

Investees	Opening balance	Increase/Decrease			
		Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income
Huajie Insurance Agency Co., Ltd.		24,500,000.00		-50,828.78	
Total		24,500,000.00		-50,828.78	

(Continued)

Investees	Increase/Decrease				Closing balance	Closing balance of provision for impairment
	Changes in other equity	Cash dividend/profit declared for distribution	Provision for impairment	Others		
Huajie Insurance Agency Co., Ltd.					24,449,171.22	
Total					24,449,171.22	

(II) Notes to items of the parent company income statement

1. Investment income

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under cost method	303,081,125.08	62,986,600.00
Investment income from long-term equity investments under equity method	-50,828.78	
Financial income		2,826,769.11
Total	303,030,296.30	65,813,369.11

Hunan XiangJiang New Area Development Group Co., Ltd.

April 19, 2018



## Auditor's Report

PCCPAAR [2017] No.2-381

To the Shareholders of Hunan XiangJiang New Area Development Group Co., Ltd.:

We have audited the accompanying pro forma consolidated financial statements of Hunan XiangJiang New Area Development Group Co., Ltd. (the "Company"), which comprise the pro forma consolidated balance sheet as at December 31, 2016, the pro forma consolidated income statement and the pro forma consolidated cash flow statement for the year then ended, as well as notes to pro forma consolidated financial statements. The pro forma consolidated financial statements have been prepared by Company's management in accordance with the preparation basis as stated in section II of notes to pro forma consolidated financial statements.

### I. Management's Responsibility for the Pro Forma Financial Statements

The responsibility of the Company's management includes: (1) preparing the pro forma consolidated financial statements in accordance with the preparation basis as stated in section II of notes to pro forma consolidated financial statements; and (2) designing, implementing and maintaining internal control relevant to the preparation of pro forma consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### II. Certified Public Accountants' Responsibility

Our responsibility is to express an opinion on these pro forma consolidated financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing and Quality Control. Those standards require that we comply with the China Code of Ethics for Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the pro forma consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the pro forma consolidated financial statements. The procedures

selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the pro forma consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation of the pro forma consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the pro forma consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### III. Audit Opinion

In our opinion, the pro forma consolidated financial statements are prepared in all material respects in accordance with the preparation basis as stated in section II of notes to pro forma consolidated financial statements.

### IV. Restrictions on Distribution and Use

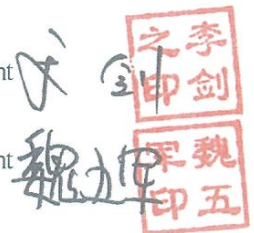
Without qualifying our opinion, the Company prepares pro forma consolidated financial statements for financing, hence, these pro forma consolidated financial statements may neither be applicable to other purposes, nor intended for any other users not covered by the aforementioned ones.



Chinese Certified Public Accountant

Chinese Certified Public Accountant

Date of Report: April 5, 2017



*The auditor's report and the accompanying pro forma consolidated financial statements are English translations of the Chinese auditor's report and pro forma consolidated financial statements prepared under preparation basis as stated in section II of notes to pro forma consolidated financial statements. In case the English version does not conform to the Chinese version, the Chinese version prevails.*

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# Auditor's Report

PCCPAAR [2017] No.2-381

To the Shareholders of Hunan XiangJiang New Area Development Group Co., Ltd.:

We have audited the accompanying pro forma consolidated financial statements of Hunan XiangJiang New Area Development Group Co., Ltd. (the "Company"), which comprise the pro forma consolidated balance sheet as at December 31, 2016, the pro forma consolidated income statement and the pro forma consolidated cash flow statement for the year then ended, as well as notes to pro forma consolidated financial statements. The pro forma consolidated financial statements have been prepared by Company's management in accordance with the preparation basis as stated in section II of notes to pro forma consolidated financial statements.

## **I. Management's Responsibility for the Pro Forma Financial Statements**

The responsibility of the Company's management includes: (1) preparing the pro forma consolidated financial statements in accordance with the preparation basis as stated in section II of notes to pro forma consolidated financial statements; and (2) designing, implementing and maintaining internal control relevant to the preparation of pro forma consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## **II. Certified Public Accountants' Responsibility**

Our responsibility is to express an opinion on these pro forma consolidated financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing and Quality Control. Those standards require that we comply with the China Code of Ethics for Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the pro forma consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the pro forma consolidated financial statements. The procedures

selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the pro forma consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation of the pro forma consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the pro forma consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **III. Audit Opinion**

In our opinion, the pro forma consolidated financial statements are prepared in all material respects in accordance with the preparation basis as stated in section II of notes to pro forma consolidated financial statements.

### **IV. Restrictions on Distribution and Use**

Without qualifying our opinion, the Company prepares pro forma consolidated financial statements for financing, hence, these pro forma consolidated financial statements may neither be applicable to other purposes, nor intended for any other users not covered by the aforementioned ones.

Pan-China Certified Public Accountants LLP

Chinese Certified Public Accountant

Hangzhou ·China

Chinese Certified Public Accountant

Date of Report: April 5, 2017

*The auditor's report and the accompanying pro forma consolidated financial statements are English translations of the Chinese auditor's report and pro forma consolidated financial statements prepared under preparation basis as stated in section II of notes to pro forma consolidated financial statements. In case the English version does not conform to the Chinese version, the Chinese version prevails.*

Hunan XiangJiang New Area Development Group Co., Ltd.  
 Pro forma consolidated balance sheet as at December 31, 2016  
 (Expressed in Renminbi Yuan)

Assets	Note No.	Closing balance	Opening balance
<b>Current assets:</b>			
Cash and bank balances	1	3,954,410,435.62	4,488,324,441.29
Settlement funds			
Loans to other banks			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable	2	1,720,117,110.29	607,009,097.30
Advances paid	3	489,656,563.03	473,485,810.77
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance reserve receivable			
Interest receivable	4	263,391.77	9,563,214.96
Dividend receivable			
Other receivables	5	606,182,645.87	387,629,296.95
Reverse-REPO financial assets			
Inventories	6	34,397,802,979.25	31,679,041,446.02
Assets classified as held-for-sale			
Non-current assets due within one year			
Other current assets	7	76,214,842.63	2,377,196,680.00
<b>Total current assets</b>		<b>41,244,647,968.46</b>	<b>40,022,249,987.29</b>
<b>Non-current assets:</b>			
Loans and advances paid			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivable	8		141,709,901.40
Long-term equity investments	9	103,419,745.13	71,583,957.34
Investment property	10	1,221,685,067.76	
Fixed assets	11	17,576,198.34	14,877,109.39
Construction in progress	12	2,745,839,849.24	1,745,316,043.62
Construction materials			
Fixed assets disposal			
Productive biological assets			
Oil & gas assets			
Intangible assets	13	1,462,914,317.64	1,499,911,100.96
Development expenditures			
Goodwill			
Long-term prepayments	14	120,268.32	317,141.65
Deferred tax assets			
Other non-current assets	15	390,089,512.62	1,181,260,000.00
<b>Total non-current assets</b>		<b>5,941,644,959.05</b>	<b>4,654,975,254.36</b>
<b>Total assets</b>		<b>47,186,292,927.51</b>	<b>44,677,225,241.65</b>



Hunan XiangJiang New Area Development Group Co., Ltd.  
Pro forma consolidated balance sheet as at December 31, 2016 (continued)  
*(Expressed in Renminbi Yuan)*

Liabilities & Equity	Note No.	Closing balance	Opening balance
<b>Current liabilities:</b>			
Short-term borrowings	16	80,000,000.00	
Central bank loans			
Absorbing deposit and interbank deposit			
Loans from other banks			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable	17	2,661,697,576.69	2,361,037,162.23
Advances received	18	6,127,182,545.98	7,719,537,701.73
Financial assets sold for repurchase			
Handling fee and commission payable			
Employee benefits payable	19	35,082,124.55	42,021,981.62
Taxes and rates payable	20	6,580,248.54	9,229,725.96
Interest payable	21	162,548,469.04	120,087,717.74
Dividend payable			
Other payables	22	553,459,211.65	511,873,123.62
Reinsurance accounts payable			
Insurance policy reserve			
Acting trading securities			
Acting underwriting securities			
Liabilities classified as held-for-sale			
Non-current liabilities due within one year	23	865,000,000.00	440,000,000.00
Other current liabilities			
<b>Total current liabilities</b>		<b>10,491,550,176.45</b>	<b>11,203,787,412.90</b>
<b>Non-current liabilities:</b>			
Long-term borrowings	24	1,460,000,000.00	3,675,000,000.00
Bonds payable	25	4,540,000,000.00	1,900,000,000.00
Including: Preferred shares			
Perpetual bonds			
Long-term payables	26	5,887,300,000.00	5,258,800,000.00
Long-term employee benefits payable			
Special payables	27	1,085,374,994.93	2,230,422,146.87
Provisions			
Deferred income	28	239,447,146.81	171,195,170.06
Deferred tax liabilities			
Other non-current liabilities	29	1,189,127,758.27	1,663,720,000.00
<b>Total non-current liabilities</b>		<b>14,401,249,900.01</b>	<b>14,899,137,316.93</b>
<b>Total liabilities</b>		<b>24,892,800,076.46</b>	<b>26,102,924,729.83</b>
<b>Equity:</b>			
Share capital/Paid-in capital	30	21,107,897,511.60	18,532,623,954.88
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	31	761,708,619.62	
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve			
General risk reserve			
Undistributed profit	32	252,786,772.88	
Total equity attributable to the parent company		22,122,392,904.10	18,532,623,954.88
Non-controlling interest		171,099,946.95	41,676,556.94
<b>Total equity</b>		<b>22,293,492,851.05</b>	<b>18,574,300,511.82</b>
<b>Total liabilities &amp; equity</b>		<b>47,186,292,927.51</b>	<b>44,677,225,241.65</b>

Hunan XiangJiang New Area Development Group Co., Ltd.  
Pro forma consolidated income statement for the year ended December 31, 2016  
*(Expressed in Renminbi Yuan)*

Items	Note No.	Current period cumulative	Preceding period comparative
I. Total operating revenue	1	2,931,245,877.29	2,447,809,569.65
Including: operating revenue	1	2,931,245,877.29	2,447,809,569.65
Interest proceeds			
Premium earned			
Revenue from handling charges and commission			
II. Total operating cost	1	2,673,857,478.49	2,242,052,690.11
Including: Operating cost	1	2,591,126,524.05	2,174,692,630.87
Interest expenses			
Handling charges and commission expenditures			
Surrender value			
Net payment of insurance claims			
Net provision of insurance policy reserve			
Premium bonus expenditures			
Reinsurance expenses			
Taxes & surcharge for operations	2	5,300,371.34	6,161,501.83
Selling expenses		5,173,923.18	10,198,581.24
Administrative expenses		70,150,096.28	46,475,116.83
Financial expense	3	145,333.08	3,666,258.79
Assets impairment loss	4	1,961,230.56	858,600.55
Add: Gains on changes in fair value (or less: losses)			
Profit from net exposure to hedging risk (or less: losses)			
Investment income (or less: losses)	5	10,952,796.35	24,353,142.95
Including: investment income from associates and joint ventures		7,835,787.79	24,353,142.95
Gains on foreign exchange (or less: losses)			
III. Operating profit (or less: losses)		268,341,195.15	230,110,022.49
Add: Non-operating revenue	6	39,584,104.95	56,805,108.29
Including: Gains on disposal of non-current assets			
Less: Non-operating expenditures	7	331,064.06	175,388.81
Including: Losses on disposal of fixed assets		5,046.16	20,660.31
IV. Profit before tax (or less: total loss)		307,594,236.04	286,739,741.97
Less: Income tax	8	797,473.15	1,160,624.33
V. Net profit (or less: net loss)		306,796,762.89	285,579,117.64
Net profit attributable to owners of parent company		315,773,372.88	291,064,139.38
Non-controlling interest		-8,976,609.99	-5,485,021.74
VI. Other comprehensive income after tax			
Items attributable to the owners of the parent company			
(I) Not reclassified subsequently to profit or loss			
1. Changes in re-measurement on the net defined benefit liability/asset			
2. Items attributable to investees under equity method that will not reclassified to profit or loss			
(II) To be reclassified subsequently to profit or loss			
1. Items attributable to investees under equity method that may be reclassified to profit or loss			
2. Profit or loss from changes in fair value of available-for-sale financial assets			
3. Profit or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
4. Profit or loss on cash flow hedging			
5. Translation reserve			
6. Others			
Items attributable to non-controlling shareholders			
VII. Total comprehensive income		306,796,762.89	285,579,117.64
Items attributable to the owners of the parent company		315,773,372.88	291,064,139.38
Items attributable to non-controlling shareholders		-8,976,609.99	-5,485,021.74
VIII. Earnings per share (EPS):			
(I) Basic EPS (yuan per share)			
(II) Diluted EPS (yuan per share)			

Hunan XiangJiang New Area Development Group Co., Ltd.  
Pro forma consolidated cash flow statement for the year ended December 31, 2016  
(Expressed in Renminbi Yuan)

Items	Current period cumulative	Preceding period comparative
<b>I. Cash flows from operating activities:</b>		
Cash receipts from sale of goods or rendering of services	1,409,444,259.29	2,075,897,695.89
Net increase of client deposit and interbank deposit		
Net increase of central bank loans		
Net increase of loans from other financial institutions		
Cash receipts from original insurance contract premium		
Net cash receipts from reinsurance		
Net increase of policy-holder deposit and investment		
Net increase from disposal of financial assets at fair value through profit or loss		
Cash receipts from interest, handling charges and commission		
Net increase of loans from others		
Net increase of repurchase		
Receipts of tax refund		
Other cash receipts related to operating activities	230,539,452.42	1,558,969,837.44
Subtotal of cash inflows from operating activities	1,639,983,711.71	3,634,867,533.33
Cash payments for goods purchased and services received	6,508,001,536.23	7,277,425,873.29
Net increase of loans and advances to clients		
Net increase of central bank deposit and interbank deposit		
Cash payments for insurance indemnities of original insurance contracts		
Cash payments for interest, handling charges and commission		
Cash payments for policy bonus		
Cash paid to and on behalf of employees	119,046,414.65	114,496,307.30
Cash payments for taxes and rates	29,467,723.07	40,853,281.05
Other cash payments related to operating activities	595,232,990.33	622,062,106.73
Subtotal of cash outflows from operating activities	7,251,748,664.28	8,054,837,568.37
Net cash flows from operating activities	-5,611,764,952.57	-4,419,970,035.04
<b>II. Cash flows from investing activities:</b>		
Cash receipts from withdrawal of investments	5,234,709,901.40	10,068,000,000.00
Cash receipts from investment income	37,452,787.80	97,284,980.30
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets		
Net cash receipts from the disposal of subsidiaries & other business units		
Other cash receipts related to investing activities	56,589,400.00	
Subtotal of cash inflows from investing activities	5,328,752,089.20	10,165,284,980.30
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets	1,225,957,502.50	1,649,650,360.76
Cash payments for investments	2,696,540,000.00	9,956,000,000.00
Net increase of pledged borrowings		
Net cash payments for the acquisition of subsidiaries & other business units		
Other cash payments related to investing activities		
Subtotal of cash outflows from investing activities	3,922,497,502.50	11,605,650,360.76
Net cash flows from investing activities	1,406,254,586.70	-1,440,365,380.46
<b>III. Cash flows from financing activities:</b>		
Cash receipts from absorbing investments	2,674,297,511.60	1,263,820,000.00
Including: Cash received by subsidiaries from non-controlling shareholders as investments	166,400,000.00	13,820,000.00
Cash receipts from borrowings	1,400,000,000.00	4,000,000,000.00
Cash receipts from issuing of bonds	3,000,000,000.00	
Other cash receipts related to financing activities	1,074,350,000.00	4,300,310,000.00
Subtotal of cash inflows from financing activities	8,148,647,511.60	9,564,130,000.00
Cash payments for the repayment of borrowings	3,670,000,000.00	496,200,000.00
Cash payments for distribution of dividends or profits and for interest expenses	572,551,151.40	607,882,272.056
Including: Cash paid by subsidiaries to non-controlling shareholders as dividend or profit		
Other cash payments related to financing activities	234,500,000.00	1,000,000,000.00
Subtotal of cash outflows from financing activities	4,477,051,151.40	2,104,082,272.05
Net cash flows from financing activities	3,671,596,360.20	7,460,047,727.95
<b>IV. Effect of foreign exchange rate changes on cash &amp; cash equivalents</b>		
<b>V. Net increase in cash and cash equivalents</b>	-533,914,005.67	1,599,712,312.45
Add: Opening balance of cash and cash equivalents	4,488,324,441.29	2,888,612,128.84
<b>VI. Closing balance of cash and cash equivalents</b>	3,954,410,435.62	4,488,324,441.29

[Name]  
[Legal representative]  
(Signature and stamp)

[Name]  
[Officer in charge of accounting]  
(Signature and stamp)

[Name]  
[Head of accounting department]  
(Signature and stamp)

## **Hunan XiangJiang New Area Development Group Co., Ltd.**

### **Notes to Pro Forma Consolidated Financial Statements**

For the year ended December 31, 2016

Monetary unit: RMB Yuan

#### **I. Company profile**

Hunan XiangJiang New Area Development Group Co., Ltd. (the “Company”) is invested by Hunan XiangJiang New Area Management Committee under the approval of Changsha People’s Government and the notice of “Implementation Plan on Establishment of Hunan XiangJiang New Area Development Group Co., Ltd.” from the General Office of Changsha People’s Government received on April 6, 2016. The Company registered at Changsha Administration for Industry and Commerce on April 19, 2016 and acquired a corporate business license with unified social credit code of 91430100MA4L3UJ37Q. The Company has registered capital of 30,000,000,000.00 yuan and paid-in capital of 21,107,897,511.60 yuan, which is located on 1-3 Floor, Building 5, Chuangzhi Park Phase I, No. 805, Lujing Road, Yuelu District, Changsha. The Company’s legal representative is 张利刚 (Zhang Ligang).

The Company belongs to comprehensive industry and is mainly engaged in primary and secondary land development; urban infrastructure construction and operation; construction, investment and operation of industry platform; development and operation of cultural tourism resources; investment and operation of health industry; urban resource management and operation; and property management.

The Company has brought subsidiaries including 湖南湘江新区投资集团有限公司 (Hunan XiangJiang New Area Investment Group Co., Ltd.\*), hereinafter referred to as the “XiangJiang Investment Company”, 梅溪湖投资（长沙）有限公司 (Meixihu Investment (Changsha) Co., Ltd.\*), hereinafter referred to as the “Meixihu Company”, 湖南湘江新区市政建设投资有限公司 (Hunan XiangJiang New Area Municipal Construction Investment Co., Ltd.\*), hereinafter referred to as the “Municipal Construction Company”) into the consolidation scope. Please refer to notes to changes in the consolidation scope and interest in other entities for details.

#### **II. Preparation basis and basic assumption of the pro forma consolidated financial statements**

##### **(I) Preparation basis and basic assumption**

1. Pursuant to the notice of “Implementation Plan on Establishment of Hunan XiangJiang New

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\* *The English names are for identification purpose only.*

Area Development Group Co., Ltd.” from the General Office of Changsha People’s Government, Hunan XiangJiang New Area Management Committee entered into the Equity Transfer Agreement with the Company, and transferred 100% equity of XiangJiang Investment Company, Meixihu Company and Municipal Construction Company to the Company based on their net assets after the asset inventory as at December 31, 2015. After the transfer, the Company holds 100% equity of XiangJiang Investment Company, Meixihu Company and Municipal Construction Company.

This financial report assumes that the above structure has been existed since January 1, 2015 and the Company operates under this structure on a going concern basis; it also assumes that the net assets of XiangJiang Investment Company, Meixihu Company and Municipal Construction Company on December 31, 2015 is disclosed as the Company’s paid-in capital.

2. In consideration of the special purpose, the pro forma consolidated financial statements don’t include the pro forma consolidated statement of changes in equity, and only present and disclose pro forma consolidated financial information, excluding individual financial information of the parent company.

3. As for the primary land development within the scope of cooperative development as agreed in the “Cooperation and Development Agreement on the South Section of Dongfanghong Road, High-Tech Zone” entered into between the subsidiary Meixihu Company and Changsha Dahexi Pilot Area Land Reserve (Trade) Center Hi-Tech Zone Sub-Center (currently renamed as Hunan XiangJiang New Area Land Reserve (Trade) Center Hi-Tech Zone Sub-Center), Changsha National High-Tech Industrial Development Zone is responsible for demolition work, and Meixihu Company is responsible for paying demolition and resettlement expenses on behalf and completing the infrastructure construction. Meixihu Company is entitled to enjoy 60% of the appreciation of land value after land transfer. Meixihu Company recognizes the revenue on the basis of actual invested cost (including demolition and resettlement expenses paid on behalf) plus the attributable appreciation of land value calculated based on the stage of completion. The stage of completion is determined at the proportion of contract costs incurred to the estimated total contract costs, and accumulated actual contract costs include land expropriation and demolition fees paid on behalf, infrastructure construction costs, administrative expenses, financial expenses, etc.

(II) Assessment of the ability to continue as a going concern

The Company has no events or conditions that may cast significant doubts upon the Company’s ability to continue as a going concern within the 12 months after the balance sheet date.

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

(I) Statement of compliance

The financial statements have been prepared in accordance with the requirements of China Accounting Standards for Business Enterprises (CASBEs), and present truly and completely the

financial position, results of operations and cash flows of the Company.

(II) Accounting period

The accounting year of the Company runs from January 1 to December 31 under the Gregorian calendar.

(III) Functional currency

The Company's functional currency is Renminbi (RMB) Yuan.

(IV) Accounting treatments of business combination under and not under common control

1. Accounting treatment of business combination under common control

Assets and liabilities arising from business combination are measured at carrying amount of the combined party included in the consolidated financial statements of the ultimate controlling party at the combination date. Difference between carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party and that of the combination consideration or total par value of shares issued is adjusted to capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

2. Accounting treatment of business combination not under common control

When combination cost is in excess of the fair value of identifiable net assets obtained from the acquiree at the acquisition date, the excess is recognized as goodwill; otherwise, the fair value of identifiable assets, liabilities and contingent liabilities, and the measurement of the combination cost are reviewed, then the difference is recognized in profit or loss.

(V) Compilation method of consolidated financial statements

The parent company brings all its controlled subsidiaries into its consolidation scope. The consolidated financial statements are compiled by the parent company according to "CASBE 33 - Consolidated Financial Statements", based on relevant information and the financial statements of the parent company and its subsidiaries.

(VI) Recognition criteria of cash and cash equivalents

Cash as presented in cash flow statement refers to cash on hand and deposit on demand for payment. Cash equivalents refer to short-term, highly liquid investments that can be readily converted to cash and that are subject to an insignificant risk of changes in value.

(VII) Financial instruments

1. Classification of financial assets and financial liabilities

Financial assets are classified into the following four categories when initially recognized: financial assets at fair value through profit or loss (including held-for-trading financial assets and financial assets designated at initial recognition as at fair value through profit or loss), held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

Financial liabilities are classified into the following two categories when initially recognized:

financial liabilities at fair value through profit or loss (including held-for-trading financial liabilities and financial liabilities designated at initial recognition as at fair value through profit or loss), and other financial liabilities.

## 2. Recognition criteria, measurement method and derecognition condition of financial assets and financial liabilities

When the Company becomes a party to a financial instrument, it is recognized as a financial asset or financial liability. The financial assets and financial liabilities initially recognized by the Company are measured at fair value; for the financial assets and liabilities at fair value through profit or loss, the transaction expenses thereof are directly included in profit or loss; for other categories of financial assets and financial liabilities, the transaction expenses thereof are included into the initially recognized amount.

The Company measures its financial assets at fair value subsequent to initial recognition, and does not deduct the transaction expenses that may occur when it disposes of the said financial asset in the future. However, those under the following circumstances are excluded: (1) the held-to-maturity investments, loans and receivables are measured at amortized costs using effective interest method; (2) the equity instrument investments for which there is no quotation in the active market and whose fair value cannot be measured reliably, and the derivative financial assets which are connected with the said equity instrument and must be settled by the delivery of the said equity instrument are measured at their costs.

The Company measures its financial liabilities at the amortized costs using effective interest method, with the exception of those under the following circumstances: (1) for the financial liabilities at fair value through profit or loss, they are measured at fair value, and none of the transaction expenses may be deducted, which may occur when the financial liabilities are settled in the future; (2) for the derivative financial liabilities, which are connected to the equity instrument for which there is no quotation in the active market and whose fair value cannot be reliably measured, and which must be settled by the delivery of the equity instrument, they are measured at their costs; (3) for the financial guarantee contracts which are not designated as a financial liability at fair value through profit or loss, and for the commitments to grant loans which are not designated as at fair value through profit or loss and which will enjoy an interest rate lower than that of the market, they are measured subsequent to initial recognition at the higher of the following two items 1) The amount as determined according to "CASBE 13 - Contingencies"; 2) the surplus after accumulative amortization as determined according to "CASBE 14 - Revenues".

The gains or losses arising from changes in fair value of financial assets or financial liabilities, if not related to hedging, are measured with the following methods: (1) Gains or losses, arising from the changes in fair value of financial asset or liability at its fair value through profit or loss, is included in gains or losses on changes in fair value; interests or cash dividends gained during the asset-holding period are recognized as investment income; when disposing of the assets,

investment income is recognized at the difference between the actual amount received and the initial recorded amount, at the same time, gains or losses on changes in fair value are adjusted accordingly. (2) For available-for-sale financial asset, changes in fair value are recorded as other comprehensive income during the holding period, interests measured at effective interest method are recorded as investment income; cash dividends from available-for-sale equity instrument investment are recognized as investment income at the date of dividend declaration; when disposing of the assets, investment income is recognized at the difference between the actual amount received and the book value deducting the accumulative amount of changes in fair value originally included in other comprehensive.

Financial assets are derecognized when the contractual rights for collecting the cash flow of the said financial assets expire or substantially all risks and rewards related to the said financial assets have been transferred. Only when the underlying present obligations of a financial liability are relieved totally or partly may the financial liability be derecognized accordingly.

### 3. Recognition criteria and measurement method of financial assets transfer

Where the Company has transferred substantially all of the risks and rewards related to the ownership of the financial asset to the transferee, it derecognizes the financial asset. If it retained substantially all of the risks and rewards related to the ownership of the financial asset, it continues recognizing the financial asset, and the consideration received is recognized as a financial liability. Where the Company does not transfer or retain substantially all of the risks and rewards related to the ownership of a financial asset, it is dealt with according to the circumstances as follows respectively: (1) if the Company gives up its control over the financial asset, it derecognizes the financial asset; (2) if the Company does not give up its control over the financial asset, according to the extent of its continuing involvement in the transferred financial asset, it recognizes the related financial asset and recognizes the relevant liability accordingly.

If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the amounts of the following two items are included in profit or loss: (1) the book value of the transferred financial asset; (2) the sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally included in equity. If the transfer of financial asset partially satisfies the conditions to derecognition, the entire book value of the transferred financial asset is, between the portion which is derecognized and the portion which is not, apportioned according to their respective relative fair value, and the difference between the amounts of the following two items are included into profit or loss: (1) the book value of the portion which is derecognized; (2) the sum of consideration of the portion which is derecognized, and the portion of the accumulative amount of the changes in the fair value originally included in equity which is corresponding to the portion which is derecognized.

### 4. Fair value determination method of financial assets and liabilities

The Company use valuation techniques that are appropriate in the circumstances and for which



sufficient data are available to measure fair value. The inputs to valuation techniques used to measure fair value are arranged in the following hierarchy and used accordingly:

(1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

(2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability, for example, interest rates and yield curves observable at commonly quoted intervals; market-corroborated inputs;

(3) Level 3 inputs are unobservable inputs for the asset or liability. Level 3 inputs include interest rate that is not observable and cannot be corroborated by observable market data at commonly quoted intervals, historical volatility, future cash flows to be paid to fulfill the disposal obligation assumed in business combination, and financial forecast developed using the Company's own data, etc.

#### 5. Impairment test and provision for impairment loss of financial assets

(1) An impairment test is carried out at the balance sheet date on the financial assets other than those at fair value through profit or loss, and provisions for impairment loss should be made if there is objective evidence indicating impairment loss.

(2) For held-to-maturity investments, borrowings, and receivables, an impairment test is made on an individual basis on financial assets of individually significant amount; with regard to the financial assets of individually insignificant amount, they may be included in a portfolio of financial assets with similar credit risk features so as to carry out an impairment-related test; where, upon the impairment test on an individual basis, the financial asset (including those financial assets of individually significant amount and of individually insignificant amount) is not impaired, it is included in a portfolio of financial assets with similar credit risk features so as to conduct further impairment test. Where a financial asset is impaired, the carrying amount of the said financial asset is written down to the present value of the predicted future cash flow.

#### (3) Available-for-sale financial assets

1) Objective evidence indicating that available-for-sale debt instrument investments may be impaired includes:

- a. significant financial difficulties in the debtor;
- b. breach of contract by the debtor, such as principal or interest past due or default;
- c. concessions made to debtors with financial difficulties considering economic and legal factors;
- d. it is highly probable that the debtor is going to dissolve or going through other terms of

financial restructuring;

e. owing to significant financial difficulties occurred to the debtor, the debt instrument is discontinued to trade in active market; or

f. Other circumstances indicating that available-for-sale debt instrument may be impaired.

2) Evidence indicating that available-for-sale equity instrument investment may be impaired includes the fair value of equity instrument investment is suffered from significant or non-temporary decline and the technical, market, economic, or legal environment in which the investee operates has significant adverse changes under which the Company may not be able to recover its investment cost.

The Company performs review on available-for-sale equity instrument investment on an individual basis at the balance sheet date. For equity instrument investment at fair value, if the balance sheet date fair value is 50% or above lower than the cost, or the balance sheet date fair value has been lower than the cost for a consecutive of 12 months or longer, it is determined that such equity instrument investment is impaired; if the balance sheet date fair value is 20% or above but not exceeding 50% lower than the cost, or the balance sheet date fair value has been lower than the cost for a consecutive of 6 months or longer but not exceeding 12 months, the Company may take other factors such as price volatility into consideration in determining whether such equity instrument investment is impaired. For equity instrument investment at cost, the Company considers whether the technical, market, economic, or legal environment in which the investee operates has significant adverse changes to determine whether such equity instrument is impaired.

When an available-for-sale financial asset at fair value is impaired, the cumulative loss arising from decline in fair value that has been recognized directly in other comprehensive income is reclassified to impairment loss. If, after an impairment loss has been recognized on available-for-sale debt instrument investment, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. Subsequent fair value increase in available-for-sale debt instrument investment whose impairment loss has been recognized is directly recognized in other comprehensive income.

When an available-for-sale equity instrument at cost is impaired, impairment loss on such equity instrument investment is recognized at any excess of its carrying amount over the present value of future cash flows, and such impairment loss is not reversed upon recognition.

#### (VIII) Receivables

1. Receivables of individually significant amount and with provision made on an individual basis

Judgment basis or amount criteria of individually significant amount	Receivables amounting to more than 1 million yuan (including 1 million yuan) and accounting for more than 10% (including 10%) of the total book balance of
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	receivables
Provision method for receivables of individually significant amount and with provision made on an individual basis	Provisions are made on the difference between the lower of present value of future cash flow and their carrying amount based on impairment testing on an individual basis.

2. Receivables with provision made on a collective basis using portfolios with similar credit risk features

(1) Specific portfolios and provision method

Basis for determination of portfolios:	
Portfolio grouped with government funds receivable	Government fund receivables
Portfolio grouped with age	Receivables of the same age with similar credit risk features
Portfolio grouped with advances paid on behalf and advances paid	Advances paid on behalf and advances paid
Portfolio grouped with internal receivables	Receivables within the consolidation scope of the parent company 湘江集团公司 (XiangJiang Group Co., Ltd.*)
Provision method of provision being made on collective basis:	
Portfolio grouped with government funds receivable	No provision is made
Portfolio grouped with age	Age analysis method
Portfolio grouped with advances paid on behalf and advances paid	No provision is made
Portfolio grouped with internal receivables	No provision is made

(2) Age analysis method

Ages	Proportion of provision for accounts receivable (%)	Proportion of provision for other receivables (%)
Within 1 year (inclusive, the same hereinafter)	1	0
1-2 years	5	5
2-3 years	10	10
3-4 years	20	20
4-5 years	30	30
Over 5 years	100	100

3. Receivables of individually insignificant amount but with provision made on an individual basis

Reasons for provision made on an individual basis	There is obvious difference between the present value of future cash flows of such receivables and those portfolio grouped with credit risk features.
Provision method	Provisions are made on the difference between the lower of present value of future cash flow and their carrying amount based on impairment testing on an individual basis.

For other receivables such as notes receivable, interest receivable and long-term receivable, etc.,

\* The English name is for identification purpose only.

provision for bad debts is made at the difference between the present value of future cash flow and the carrying amount.

#### (IX) Inventories

1. Inventories are classified by land development products and non-land development products. Land development products include completed developed products, developed products in progress, products to be developed, while non-land development products include revolving materials, raw materials and goods on hand. Completed developed products refer to land products which are completed and waiting for sale; developed products in progress refer to land products under development and for sales purposes; products to be developed refer to land which has been acquired to be developed as completed developed products. If the project developed on a collective basis, products to be developed are recognized as developed products in progress; if the project is developed phase by phase, developed phase is recognized as developed products in progress and the remaining phases are kept as products to be developed.

2. Cost of land development products includes land cost, construction cost and other costs. Borrowing costs eligible for capitalization are also included into cost of land development products. Cost of non-land development products includes purchasing cost, processing cost and other costs, which is recorded at actual cost when acquired, and accounted for with average method when dispatched from storage. Apart from purchasing cost of raw materials, work in process and goods on hand also include direct labor cost and proportionate production and manufacture cost.

3. Basis for determining net realizable value and method of provision for impairment of inventory write-down

At the balance sheet date, inventories are measured at the lower of cost or net realizable value; provisions for inventory write-down are made on the excess of its cost over the net realizable value. The net realizable value of inventories held for sale is determined based on the amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges in the ordinary course of business; the net realizable value of materials to be processed is determined based on the amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges in the ordinary course of business; at the balance sheet date, when only part of the same item of inventories have agreed price, their net realizable value is determined separately and is compared with their costs to set the provision for inventory write-down to be made or reversed.

4. Inventory system

Perpetual inventory method is adopted.

5. Revolving materials are amortized with one-off method.

#### (X) Long-term equity investments

## 1. Judgment of joint control and significant influence

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of these policies.

## 2. Determination of investment cost

(1) For business combination under common control, if the consideration of the combining party is that it makes payment in cash, transfers non-cash assets, assumes its liabilities or issues equity securities, on the date of combination, it regards the share of the carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party as the initial cost of the investment. The difference between the initial cost of the long-term equity investment and the carrying value of the combination consideration paid or the par value of shares issued offsets capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

When long-term equity investments are obtained through business combination under common control achieved in stages, the Company determines whether it is a “bundled transaction”.

If it is a “bundled transaction”, stages as a whole are considered as one transaction in accounting treatment. If it is not a “bundled transaction”, investment cost is initially recognized at the share of the carrying amount of net assets of the combined party included in the consolidated financial statements of the ultimate controlling party. The difference between the acquisition-date investment cost of long-term equity investments and the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity is adjusted to capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

(2) For business combination not under common control, investment cost is initially recognized at the acquisition-date fair value of considerations paid.

When long-term equity investments are obtained through business combination not under common control achieved in stages, the Company determines whether they are stand-alone financial statements or consolidated financial statements in accounting treatment:

1) In the case of stand-alone financial statements, investment cost is initially recognized at the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity.

2) In the case of consolidated financial statements, the Company determines whether it is a “bundled transaction”.

If it is a “bundled transaction”, stages as a whole are considered as one transaction in accounting

treatment. If it is not a “bundled transaction”, the carrying value of the acquirer’s previously held equity interest in the acquire is re-measured at the acquisition-date fair value, and the difference between the fair value and the carrying amount is recognized in investment income; when the acquirer’s previously held equity interest in the acquire involves other comprehensive income under equity method, the related other comprehensive income is reclassified as income for the acquisition period, excluding other comprehensive income arising from changes in net liabilities or assets from re-measurement of defined benefit plan of the acquiree.

(3) Long-term equity investment obtained through ways other than business combination: the initial cost of a long-term equity investment obtained by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; that obtained through debt restructuring is determined according to “CASBE12 - Debt Restructuring”; and that obtained through non-cash assets exchange is determined according to “CASBE7 - Non-cash Assets Exchange”.

### 3. Subsequent measurement and recognition method of gain or loss

For long-term equity investment with control relationship, it is accounted for with cost method; for long-term equity investment with joint control or significant influence relationship, it is accounted for with equity method.

### 4. Disposal of a subsidiary in stages resulting in the Company’s loss of control

#### (1) Stand-alone financial statements

The difference between the carrying amount of the disposed equity and the consideration obtained thereof is recognized in profit or loss. If the disposal does not result in the Company’s loss of significant influence or joint control, the remained equity is accounted for with equity method; however, if the disposal results in the Company’s loss of control, joint control, or significant influence, the remained equity is reclassified as financial assets, and accounted for according to CASBE 22 –Financial Instruments: Recognition and Measurement.

#### (2) Consolidated financial statements

##### 1) Disposal of a subsidiary in stages not qualified as “bundled transaction” resulting in the Company’s loss of control

Before the Company’s loss of control, the difference between the disposal consideration and the proportionate share of net assets in the disposed subsidiary from acquisition date or combination date to the disposal date is adjusted to capital reserve (capital premium), if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

When the Company loses control, the remained equity is re-measured at the loss-of-control-date fair value. The aggregated value of disposal consideration and the fair value of the remained equity, less the share of net assets in the disposed subsidiary held before the disposal from the acquisition date or combination date to the disposal date is recognized in investment income in the

period when the Company loses control over such subsidiary, and meanwhile goodwill is offset correspondingly. Other comprehensive income related to equity investments in former subsidiary is reclassified as investment income upon the Company's loss of control.

2) Disposal of a subsidiary in stages qualified as "bundled transaction" resulting in the Company's loss of control

In case of "bundled transaction", stages as a whole are considered as one transaction resulting in loss of control in accounting treatment. Before the Company loses control, the difference between the disposal consideration at each stage and the proportionate share of net assets in the disposed subsidiary is recognized as other comprehensive income at the consolidated financial statements and reclassified as profit or loss in the period when the Company loses control over such subsidiary.

(XI) Investment property

1. Investment property includes land use right of rent-out property and of property held for capital appreciation and buildings that have been leased out.

2. The initial measurement of investment property is based on its cost, and subsequent measurement is made using the cost model, the depreciation or amortization method is the same as that of fixed assets and intangible assets.

(XII) Fixed assets

1. Recognition principles of fixed assets

Fixed assets are tangible assets held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and expected to be used during more than one accounting year. Fixed assets are recognized if, and only if, it is probable that future economic benefits associated with the assets will flow to the Company and the cost of the assets can be measured reliably.

2. Depreciation method of different categories of fixed assets

Items	Depreciation method	Useful life (years)	Estimated residual value proportion (%)	Annual depreciation rate (%)
Electronic equipment	Straight-line method	3-5	5	19.00-31.67
Electric equipment	Straight-line method	3-5	5	19.00-31.67
Transport facilities	Straight-line method	5	5	19.00
Office facilities	Straight-line method	5	5	19.00
Other equipment	Straight-line method	5	5	19.00

(XIII) Construction in progress

1. Construction in progress is recognized if, and only if, it is probable that future economic

benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. Construction in progress is measured at the actual cost incurred to reach its designed usable conditions.

2. Construction in progress is transferred into fixed assets at its actual cost when it reaches its designed usable conditions. When the construction completion cost reaches final estimating and auditing of the construction in progress was not finished while it reaching the designed usable conditions, it is transferred to fixed assets using estimated value first, and then adjusted accordingly when the actual cost is settled, but the accumulated depreciation is not to be adjusted retrospectively.

#### (XIV) Borrowing costs

##### 1. Recognition principle of borrowing costs capitalization

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it is capitalized and included in the costs of relevant assets; other borrowing costs are recognized as expenses on the basis of the actual amount incurred, and are included in profit or loss.

##### 2. Borrowing costs capitalization period

(1) The borrowing costs are not capitalized unless they following requirements are all met: 1) the asset disbursements have already incurred; 2) the borrowing costs have already incurred; and 3) the acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

(2) Suspension of capitalization: where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs is suspended; the borrowing costs incurred during such period are recognized as expenses, and are included in profit or loss, till the acquisition and construction or production of the asset restarts.

(3) Ceasing of capitalization: when the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs is ceased.

##### 3. Capitalization rate and capitalized amount of borrowing costs

For borrowings exclusively for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests is determined in light of the actual interest expenses incurred (including amortization of premium or discount based on effective interest method) of the special borrowings at the present period minus the income of interests earned on the unused borrowings as a deposit in the bank or as a temporary investment; where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the Company calculates and determines the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the



accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used.

(XV) Intangible assets

1. Intangible asset includes land use right, patent right and non-patented technology etc. The initial measurement of intangible asset is based its cost.

2. For intangible assets with finite useful lives, its amortization amount is amortized within its useful lives systematically and reasonably, if it is unable to determine the expected realization pattern reliably, intangible assets are amortized by the straight-line method with details as follows:

Items	Amortization period (years)
Land use right	40
Software	3

Intangible assets with indefinite useful life are not amortized, but their useful life is reviewed annually.

(XVI) Long-term prepayments

Long-term prepayments are expenses that have been recognized but with amortization period over one year (excluding one year). They are recorded with actual cost, and evenly amortized within its beneficiary period or stipulated period. If items of long-term prepayments fail to be beneficial to the following accounting periods, residual values of such items are included in profit or loss.

(XVII) Revenue

1. Revenue recognition principles

(1) Sale of goods

Revenue from sale of goods is recognized if, and only if, the following conditions are all satisfied: a) significant risks and rewards of ownership of the goods is transferred to the buyer; b) the Company retains neither continuing managerial involvement of ownership nor effective control over the goods sold; c) the amount of revenue can be measured reliably; d) it is probable that the economic benefits of the transaction will flow to the Company; and e) the costs of the transaction incurred and to be incurred can be measured reliably.

(2) Rendering of services

When the outcome of the transaction can be estimated reliably (the amount of revenue can be measured reliably, it is probable that the economic benefits will flow to the Company, the percentage of completion of the transaction can be determined reliably, and the costs of the transaction incurred and to be incurred can be measured reliably), revenue from rendering of services is recognized using the percentage of completion method, and the stage of completion is determined at the proportion of costs incurred to the estimated total costs. When the outcome of the transaction cannot be estimated reliably at the balance sheet date, revenue is recognized based on the amount of the costs incurred and the costs incurred are charged off at the same amount

when the costs incurred are expected to be recoverable; and no revenue is recognized and the costs incurred are charged off as an expense of the period when the costs incurred are not expected to be recovered.

(3) Revenue arising from use by others of assets

Revenue arising from use by others of assets is recognized if, and only if, it is probable that economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. Interest income is recognized based on the length of time for which the Company's cash is used by others and the effective interest rate; and royalties are recognized according to the period and method of charging as specified in relevant contract or agreement.

(4) Construction contract

1) When the outcome of construction contract can be reliably estimated at balance sheet date, contract revenue and cost are recognized using the percentage of completion method. When the outcome of construction contract cannot be reliably estimated at balance sheet date, contract revenue is recognized according to the actual recoverable contract cost if the cost can be recovered; if not, contract cost is recognized as contract expense when occurring.

2) The outcome of a fixed price contract can be estimated reliably when all of the following conditions are satisfied: total contract revenues can be measured reliably; it is probable that economic benefits associated with the contract will flow to the Company; the contract costs actually incurred can be clearly identified and reliably measured; both the degree of contract completion and the additional contract costs needed to complete the contract can be measured reliably. The outcome of a cost plus contract can be estimated reliably when all of the following conditions are satisfied: it is probable that economic benefits associated with the contract will flow to the Company; the contract costs actually incurred can be clearly identified and reliably measured.

3) Percentage-of-completion method refers to the percentage of accumulated contract costs in estimated total contract costs.

4) At the balance sheet date, expected excess of total contract costs over total contract revenue is recognized as an expense of the period. A provision for inventory write-down is made based on the excess for construction contract under implementation; and estimated liability is recognized based on the excess for construction contract to be implemented.

2. Revenue recognition method adopted by the Company

The Company's main operations are primary land development, construction of urban infrastructure such as urban roads. Revenue is recognized if, and only if, the following conditions are all met: the Company has delivered goods to the purchaser based on contractual agreements; the amount of sales revenue is determined; goods payment has been collected or the Company has

obtained receipts invoices and it is probable that economic benefits associated with the transaction will flow to the Company; and the costs of the transaction incurred and to be incurred can be measured reliably. Time point of revenue from the following items is:

(1) Primary land development

1) For the development project directly delegated by Hunan XiangJiang New Area Management Committee, the Company recognizes the revenue upon the receipt of the Confirmation of Land Use Right Assignment issued by land reserve center.

2) For the primary land development within the scope of cooperative development as agreed in the “Cooperation and Development Agreement on the South Section of Dongfanghong Road, High-Tech Zone” entered into between the Company and Changsha Dahexi Pilot Area Land Reserve (Trade) Center Hi-Tech Zone Sub-Center (currently renamed as Hunan XiangJiang New Area Land Reserve (Trade) Center Hi-Tech Zone Sub-Center), the Company recognizes the revenue on the basis of actual invested cost plus the attributable appreciation of land value calculated based on the stage of completion. The stage of completion is determined at the proportion of contract costs incurred to the estimated total contract costs, and accumulated actual contract costs include land expropriation costs, construction costs, etc.

3) For agent construction of urban roads and infrastructure engaged by contract-issuing party, the Company recognizes the revenue when the project is accepted and delivered.

(2) Agent construction of urban roads and infrastructure

For agent construction of urban roads and infrastructure engaged by government, revenue is determined based on the cost plus 8% or corresponding management service ratio. The Cost is determined based on data confirmed by supervision unit, construction department and cost control department.

(XVIII) Government grants

Government grants related to assets

Government grants related to assets are government grants, with which the Company purchase, construct or otherwise acquire non-current assets. They are recognized as deferred income, and amortized on a straight-line method over the useful lives of the relevant assets, and included in profit or loss. However, those measured at notional amount is directly included into profit or loss.

2. Government grants related to income

Government grants related to income are government grants other than those related to assets. Government grants related to income if used for compensating the related future expenses or losses of the Company are recognized as deferred income and are included in profit or loss during the period when the relevant expenses are recognized; if used for compensating the related expenses or losses incurred to the Company are directly included in profit or loss.

(XIX) Leases

#### Operating leases

When the Company is the lessee, lease payments are recognized as cost or profit or loss with straight-line method over the lease term. Initial expenses are recognized directly into profit or loss. Contingent rents are charged as profit or loss in the periods in which they are incurred.

When the Company is the lessor, lease income is recognized as profit or loss with straight-line method over the lease term. Initial expenses, other than those with material amount and eligible for capitalization which are recognized as profit or loss by installments, are recognized directly as profit or loss. Contingent rents are charged as profit or loss in the periods in which they are incurred.

#### IV. Taxes

##### (I) Main taxes and tax rates

Taxes	Tax bases	Tax rates
Value-added tax (VAT)	The taxable revenue from sales of goods or rendering of services	5%, 6%, 17%
Business tax	The taxable business turnover	3%, 5%
Housing property tax	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting 20% of the cost; for housing property levied on the basis of rent, housing property tax is levied at the rate of 12% of rent revenue.	12%, 1.2%
Urban maintenance and construction tax	Turnover tax payable	7%
Education surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%
Enterprise income tax	Taxable income	25%

##### (II) Tax preferential policies

1. Pursuant to the “Notice on Treatment of Enterprise Income Tax of Special Fiscal Fund” (numbered Cai Shui [2011] 70) issued by Ministry of Finance (MOF) and State Administration of Taxation of P.R.C (SAT), fiscal fund received by the Company and its subsidiaries is tax free and can be deducted from total revenue when calculating taxable income.

2. Pursuant to “Circular on Issues of Business Tax Concerning Government Land Reform Project Invested by Tax Payers” (numbered Announcement of the State Administration of Taxation [2013] 15), the government land reform project that invested by the Company and its subsidiaries is exempt from business tax.

3. Pursuant to item XXXVII, Article I in the Appendix 3 “Transitional Policy of the Pilot Project of Replacing Business Tax with Value-Added Tax” of the “Circular on Promoting the Pilot Project of Replacing Business Tax with Value-Added Tax in An All-round Manner” (numbered

Cai Shui [2016] 36) by MOF and SAT, land use right that transferred by landowner is exempt from VAT. Therefore, revenue from land leveling is exempt from VAT and surcharges.

## V. Business combination, consolidation scope and interest in other entities

### (I) Significant subsidiaries

Subsidiaries	Place of registration	Business nature	Holding proportion (%)		Acquisition method
			Direct	Indirect	
XiangJiang Investment Company	Changsha	Primary and secondary land development	100		Allocation
长沙市大王山生态环境治理开发有限公司 (Changsha Dawang Mountain Ecological Environment Management and Development Co., Ltd.)*	Changsha	Ecological environment management; land development		100	Allocation
湖南大王山实业投资有限公司 (Hunan Dawang Mountain Industrial Investment Co., Ltd.)*	Changsha	Land development and investment		100	Allocation
湖南湘江新区文化旅游投资有限公司 (Hunan XiangJiang New Area Cultural Tourism Investment Co., Ltd.)*	Changsha	Tourism industry		100	Allocation
长沙大王山物业服务服务有限公司 (Changsha Dawang Mountain Property Management Co., Ltd.)*	Changsha	Services		100	Allocation
长沙狮峰林业有限公司 (Changsha Shifeng Forestry Co., Ltd.)*	Changsha	Forestry program development		100	Allocation
长沙欢乐天街投资有限公司 (Changsha Happy Sky Street Investment Co., Ltd.)*	Changsha	Cultural tourism investment and management, real estate investment		83.05	Allocation
长沙欢乐海洋公园有限公司 (Changsha Happy Ocean Park Co., Ltd.)*	Changsha	Cultural tourism investment and management, real estate investment		74.77	Allocation
湖南湘江新区未来科技城发展有限公司 (Hunan XiangJiang New Area Future Science City Development Co., Ltd.)*	Changsha	Real estate investment		60	Allocation
Meixihu Company	Changsha	Land development and investment	100		Allocation
湖南湘江城市运营管理有限公司 (Hunan XiangJiang City Operating Management Co., Ltd.)*	Changsha	Municipal facilities management		100	Allocation
长沙梅溪湖酒店投资管理有限公司 (Changsha Meixihu Hotel Investment Management Co., Ltd.)*	Changsha	Hotel management		100	Allocation
长沙山涧明月酒店管理有限公司 (Changsha Shanjian Mingyue Hotel Management Co., Ltd.)*	Changsha	Catering management		100	Allocation
长沙象鼻窝林业开发有限公司 (Changsha Xiangbiwo Forestry Co., Ltd.)*	Changsha	Forestry program development and management		100	Allocation
湖南梅溪湖智城运营管理有限公司 (Hunan Meixihu Smart City Operating Management Co., Ltd.)*	Changsha	Information system integration services		100	Allocation

\* The English names are for identification purpose only.

Subsidiaries	Place of registration	Business nature	Holding proportion (%)		Acquisition method
			Direct	Indirect	
湖南梅溪湖新城医疗投资有限公司 (Hunan Meixihu New City Medical Investment Co., Ltd.)*	Changsha	Medical investment		100	Allocation
湖南惠安医疗投资有限公司 (Hunan Hui'an Medical Investment Co., Ltd.)*	Changsha	Medical investment		60	Allocation
湖南梅溪湖医疗投资有限公司 (Hunan Meixihu Medical Investment Co., Ltd.)*	Changsha	Medical investment		100	Allocation
长沙梅溪湖金晟置业有限公司 (Changsha Meixihu Jinsheng Properties Co., Ltd.)*	Changsha	Real estate development		100	Allocation
长沙梅溪湖文化管理有限公司 (Changsha Meixihu Cultural Management Co., Ltd.)*	Changsha	Management services of art performance stadiums		100	Allocation
湖南梅溪湖国际广场置业有限公司 (Hunan Meixihu International Plaza Properties Co., Ltd.)*	Changsha	Housing leases		100	Allocation
Municipal Construction Company	Changsha	Municipal road development	100		Allocation

## (II) Interest in associates

### 1. Significant associates

Associates	Main operating place	Place of registration	Business scope	Holding proportion (%)		Accounting treatment
				Direct	Indirect	
长沙梅溪湖金悦置业有限公司 (Changsha Meixihu Jinyue Properties Co., Ltd.)*	Changsha	Changsha		30.00		Equity method
湖南中建湘和投资有限公司 (Hunan Zhongjian Xianghe Investment Co., Ltd.)*	Changsha	Changsha		10.00		Equity method

### 2. Aggregated financial information of significant associates

Items	Closing balance/Current period cumulative	Opening balance/Preceding period comparative
Associates		
Total carrying amount of investments	103,419,745.13	71,583,957.34
Proportionate shares in the following items		
Net profit	7,835,787.79	24,353,142.95
Other comprehensive income		
Total comprehensive income	7,835,787.79	24,353,142.95

\* The English names are for identification purpose only.

**VI. Notes to items of pro forma consolidated financial statements**

(I) Notes to items of the pro forma consolidated balance sheet

1. Cash and bank balances

Items	Closing balance	Opening balance
Cash on hand	112,738.96	133,609.71
Cash in bank	3,954,297,696.66	4,488,190,831.58
Total	3,954,410,435.62	4,488,324,441.29

2. Accounts receivable

(1) Details

1) Details of categories

Categories	Closing balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	1,719,230,142.69	99.95	6,888.11		1,719,223,254.58
Receivable of individually insignificant amount but with provision made on an individual basis	893,855.71	0.05			893,855.71
Total	1,720,123,998.40	100.00	6,888.11		1,720,117,110.29

(Continued)

Categories	Opening balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	604,530,090.41	99.59	1,397.82		604,528,692.59
Receivable of individually insignificant amount but with provision made on an individual basis	2,480,404.71	0.41			2,480,404.71
Total	607,010,495.12	100.00	1,397.82		607,009,097.30

2) Details of portfolios

Items	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Portfolio grouped with government funds receivable	1,718,545,251.74		
Portfolio grouped with age	684,890.95	6,888.11	1.01
Subtotal	1,719,230,142.69	6,888.11	

3) In portfolios, accounts receivable with provision made on a collective basis with age analysis method

Ages	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	683,910.95	6,839.11	1.00
1-2 years	980.00	49.00	5.00
Subtotal	684,890.95	6,888.11	1.01

(2) Provisions for bad debts made in current period totaled 5,490.29 yuan.

### 3. Advances paid

#### (1) Age analysis

Ages	Closing balance			
	Book balance	% to total	Provision for bad debts	Carrying amount
Within 1 year	76,063,652.76	15.53		76,063,652.76
1-2 years	289,447,705.48	59.12		289,447,705.48
2-3 years	35,986,652.62	7.35		35,986,652.62
Over 3 years	88,158,552.17	18.00		88,158,552.17
Total	489,656,563.03	100.00		489,656,563.03

(Continued)

Ages	Opening balance			
	Book balance	% to total	Provision for bad debts	Carrying amount
Within 1 year	332,271,539.91	70.18		332,271,539.91
1-2 years	48,465,216.69	10.24		48,465,216.69
2-3 years	70,579,054.17	14.90		70,579,054.17
Over 3 years	22,170,000.00	4.68		22,170,000.00
Total	473,485,810.77	100.00		473,485,810.77

(2) Reasons for unsettlement on advances paid with age over one year and significant amount

Debtors	Closing balance	Reasons for unsettlement
Changsha Yuelu District Land Expropriation Office	262,636,337.91	Compensation for resettlement
Changsha Yuelu District Yanghu Street Land Expropriation and Demolition Office	22,000,000.00	Compensation for resettlement
Changsha Urban House Demolition Management Office	20,000,000.00	Compensation for resettlement
金侨房地产开发（集团）有限公司	15,383,200.00	Project payment



Debtors	Closing balance	Reasons for unsettlement
(Changsha Jinqiao Real Estate Development (Group) Co., Ltd.*)		
Subtotal	320,019,537.91	

#### 4. Interest receivables

Items	Closing balance	Opening balance
Time deposit	263,391.77	
Financial products		9,563,214.96
Total	263,391.77	9,563,214.96

#### 5. Other receivables

##### (1) Details

##### 1) Details on categories

Categories	Closing balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	609,418,110.99	100.00	3,235,465.12	0.53	606,182,645.87
Total	609,418,110.99	100.00	3,235,465.12	0.53	606,182,645.87

(Continued)

Categories	Opening balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	388,909,021.80	100.00	1,279,724.85	0.33	387,629,296.95
Total	388,909,021.80	100.00	1,279,724.85	0.33	387,629,296.95

##### 2) Details of portfolios

Items	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Portfolio grouped with age	41,608,593.68	3,235,465.12	7.78
Portfolio grouped with advances paid on behalf and advances paid	567,809,517.31		
Subtotal	609,418,110.99	3,235,465.12	0.53

\* The English name is for identification purpose only.

3) In portfolios, other receivables with provision made on a collective basis with age analysis method

Ages	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	8,092,354.14		
1-2 years	15,225,534.05	761,276.70	5.00
2-3 years	13,387,969.90	1,338,796.99	10.00
3-4 years	3,980,512.50	796,102.50	20.00
4-5 years	832,763.09	249,828.93	30.00
Over 5 years	89,460.00	89,460.00	100.00
Subtotal	41,608,593.68	3,235,465.12	7.78

(2) Provisions for bad debts made in current period totaled 1,955,740.27 yuan.

(3) Details of the top 5 debtors with largest balances

Name	Relationship with the Company	Book balance	Ages	Proportion to the total balance of other receivables (%)	Contents
长沙中建未来科技城投资有限公司 (Changsha Zhongjian Future Science City Investment Co., Ltd.)*	Related party	398,247,800.00	Within 1 year	65.35	Demolition fund paid on behalf of other parties
长沙市麓城置业有限责任公司 (Changsha Lucheng Properties Co., Ltd.)*	Non-related party	51,788,000.00	2-3 years	8.50	Housing fund paid on behalf of other parties
XiangJiang New Area Management Committee	Related party	47,000,000.00	Within 1 year	7.71	Project fund paid on behalf of other parties
中建信和地产有限公司 (Zhongjian Xinhe Real Estate Co., Ltd.)*	Non-related party	19,747,790.00	2-3 years	3.24	Housing fund paid on behalf of other parties
长沙市浩基房地产开发有限公司 (Changsha Haoji Real Estate Development Co., Ltd.)*	Non-related party	17,999,383.98	3-4 years	2.95	Housing fund paid on behalf of other parties
Subtotal		534,782,973.98		87.75	

## 6. Inventories

(1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for write-down	Carrying amount	Book balance	Provision for write-down	Carrying amount
Raw materials	5,456,149.09		5,456,149.09	5,493,880.11		5,493,880.11
Goods on hand	480,996.05		480,996.05	498,377.99		498,377.99

\* The English names are for identification purpose only.

Low-value consumables	2,716,430.42		2,716,430.42	619,609.76		619,609.76
Development products	34,389,149,403.69		34,389,149,403.69	31,672,429,578.16		31,672,429,578.16
Total	34,397,802,979.25		34,397,802,979.25	31,679,041,446.02		31,679,041,446.02

(2) Other remarks

As of the date of approval for issuance of the financial statements, the Company's subsidiary Municipal Construction Company and Hunan XiangJiang New Area Management Committee have entered into the repurchase contract for urban roads and infrastructure projects amounting to 7.23 billion yuan, with repurchase contract on the urban roads and infrastructure project assets of 1.53 billion yuan hasn't been signed.

7. Other current assets

Items	Closing balance	Opening balance
Taxes to be credited	26,214,842.63	
Financial products	50,000,000.00	2,375,000,000.00
Rents due within 1 year		2,196,680.00
Total	76,214,842.63	2,377,196,680.00

8. Long-term receivables

Items	Closing balance	Opening balance
Project borrowings of Jinyue Real Estate		141,709,901.40
Total		141,709,901.40

9. Long-term equity investments

(1) Categories

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in associates	103,419,745.13		103,419,745.13	71,583,957.34		71,583,957.34
Total	103,419,745.13		103,419,745.13	71,583,957.34		71,583,957.34

(2) Details

Investees	Opening balance	Increase/Decrease			
		Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income
Changsha Meixihu Jinyue Properties Co., Ltd.	71,583,957.34			7,835,787.79	
Hunan Zhongjian Xianghe Investment Co., Ltd.		24,000,000.00			

Investees	Opening balance	Increase/Decrease			
		Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income
Total	71,583,957.34	24,000,000.00		7,835,787.79	

(Continued)

Investees	Increase/Decrease				Closing balance	Closing balance of provision for impairment
	Changes in other equity	Cash dividend/profit declared for distribution	Provision for impairment	Others		
Changsha Meixihu Jinyue Properties Co., Ltd.					79,419,745.13	
Hunan Zhongjian Xianghe Investment Co., Ltd.					24,000,000.00	
Total					103,419,745.13	

#### 10. Investment property

Items	Buildings and structures
Cost	
Opening balance	
Increase	1,243,150,386.54
1) Acquisition	1,243,150,386.54
Decrease	
Closing balance	1,243,150,386.54
Accumulated depreciation and amortization	
Opening balance	
Increase	21,465,318.78
1) Accrual or amortization	21,465,318.78
Decrease	
Closing balance	21,465,318.78
Carrying amount	
Closing balance	1,221,685,067.76
Opening balance	

#### 11. Fixed assets

Items	Electronic equipment	Electric equipment	Transport facilities	Office facilities	Other equipment	Total
Cost						
Opening balance	1,530,449.00	648,309.40	16,501,715.92	4,667,334.14	5,007,037.21	28,354,845.67
Increase	173,225.08		4,333,267.84	3,498,968.35	279,708.42	8,285,169.69
Including: Acquisition	173,225.08		4,333,267.84	3,498,968.35	279,708.42	8,285,169.69

Items	Electronic equipment	Electric equipment	Transport facilities	Office facilities	Other equipment	Total
Decrease					6,560.00	6,560.00
Including: Disposal/scrap					6,560.00	6,560.00
Closing balance	1,703,674.08	648,309.40	20,834,983.76	8,166,302.49	5,280,185.63	36,633,455.36
Accumulated depreciation						
Opening balance	810,746.30	140,909.37	7,163,591.19	2,805,823.84	2,556,665.58	13,477,736.28
Increase	362,549.57	128,453.95	3,078,163.74	1,161,966.41	849,900.91	5,581,034.58
Including: Accrual	362,549.57	128,453.95	3,078,163.74	1,161,966.41	849,900.91	5,581,034.58
Decrease					1,513.84	1,513.84
Including: Disposal/scrap					1,513.84	1,513.84
Closing balance	1,173,295.87	269,363.32	10,241,754.93	3,967,790.25	3,405,052.65	19,057,257.02
Carrying amount						
Closing balance	530,378.21	378,946.08	10,593,228.83	4,198,512.24	1,875,132.98	17,576,198.34
Opening balance	719,702.70	507,400.03	9,338,124.73	1,861,510.30	2,450,371.63	14,877,109.39

## 12. Construction in progress

### (1) Details

Project	Closing balance		
	Book balance	Provision for impairment	Carrying amount
Binshui Commercial Street	83,552,406.60		83,552,406.60
Ice World	309,799,728.29		309,799,728.29
Dawang Mountain Tourism Resort Service Center	343,646,247.02		343,646,247.02
Four-star hotels	210,721,038.49		210,721,038.49
Wen Zheng College	33,154,623.80		33,154,623.80
Five-star hotels	467,322,022.56		467,322,022.56
Happy Sky Street Project	6,926,548.82		6,926,548.82
Arts Cultural Center	1,151,742,822.52		1,151,742,822.52
Meixihu Resort	72,618,871.30		72,618,871.30
Changsha Women and Children Hospital project	40,102,227.27		40,102,227.27
Other projects	26,253,312.57		26,253,312.57
Total	2,745,839,849.24		2,745,839,849.24

(Continued)

Project	Opening balance		
	Book balance	Provision for impairment	Carrying amount
Binshui Commercial Street	78,343,632.80		78,343,632.80
Ice World	161,203,404.01		161,203,404.01
Dawang Mountain Tourism	241,539,734.56		241,539,734.56

Project	Opening balance		
	Book balance	Provision for impairment	Carrying amount
Resort Service Center			
Four-star hotels	65,645,456.74		65,645,456.74
Wen Zheng College	29,924,996.74		29,924,996.74
Five-star hotels	212,848,799.42		212,848,799.42
Arts Cultural Center	841,626,828.79		841,626,828.79
Meixihu Resort	59,482,774.61		59,482,774.61
Changsha Women and Children Hospital project	36,662,288.08		36,662,288.08
Other projects	18,038,127.87		18,038,127.87
Total	1,745,316,043.62		1,745,316,043.62

(2) Changes in significant projects

Projects	Opening balance	Increase	Transferred to fixed assets	Other decrease	Closing balance
Binshui Commercial Street	78,343,632.80	5,208,773.80			83,552,406.60
Ice World	161,203,404.01	148,596,324.28			309,799,728.29
Dawang Mountain Tourism Resort Service Center	241,539,734.56	102,106,512.46			343,646,247.02
Four-star hotels	65,645,456.74	145,075,581.75			210,721,038.49
Wen Zheng College	29,924,996.74	3,229,627.06			33,154,623.80
Five-star hotels	212,848,799.42	254,473,223.14			467,322,022.56
Happy Sky Street Project		6,926,548.82			6,926,548.82
Other projects	18,038,127.87	8,215,184.70			26,253,312.57
Arts Cultural Center	841,626,828.79	310,115,993.73			1,151,742,822.52
Meixihu Resort	59,482,774.61	13,136,096.69			72,618,871.30
Changsha Women and Children Hospital project	36,662,288.08	3,439,939.19			40,102,227.27
Total	1,745,316,043.62	1,000,523,805.62			2,745,839,849.24

13. Intangible assets

Items	Land use right	Software	Total
Cost			
Opening balance	1,530,912,252.80	257,920.00	1,531,170,172.80
Increase	1,132,416.64	30,271.85	1,162,688.49
1) Acquisition	1,132,416.64	30,271.85	1,162,688.49
Decrease			
Closing balance	1,532,044,669.44	288,191.85	1,532,332,861.29
Accumulated amortization			
Opening balance	31,171,387.52	87,684.32	31,259,071.84

Items	Land use right	Software	Total
Increase	38,118,407.49	41,064.32	38,159,471.81
1) Accrual	38,118,407.49	41,064.32	38,159,471.81
Decrease			
Closing balance	69,289,795.01	128,748.64	69,418,543.65
Carrying amount			
Closing balance	1,462,754,874.43	159,443.21	1,462,914,317.64
Opening balance	1,499,740,865.28	170,235.68	1,499,911,100.96

#### 14. Long-term prepayments

Items	Opening balance	Increase	Amortization	Other decrease	Closing balance
Decoration fees	227,241.65		162,073.33		65,168.32
Rental fees	89,900.00	110,880.00	145,680.00		55,100.00
Total	317,141.65	110,880.00	307,753.33		120,268.32

#### 15. Other non-current assets

Items	Closing balance	Opening balance
Prepaid land purchase funds	337,893,628.00	
Prepay project investment funds	20,400,000.00	15,760,000.00
Prepaid property purchase funds	31,158,000.00	1,165,500,000.00
Prepaid software	637,884.62	
Total	390,089,512.62	1,181,260,000.00

#### 16. Short-term borrowings

##### (1) Details

Items	Closing balance	Opening balance
Pledged borrowing	80,000,000.00	
Total	80,000,000.00	

##### (2) Remarks on short-term borrowing

The subsidiary Municipal Construction Company obtains the borrowing of 80 million yuan from Bank of Communications, Hunan Branch under the pledge of accounts receivable of 496.71 million yuan as stated in the "Government Purchase Agreement of Municipal Road Construction Project in Hunan XiangJiang New Area" of Hunan XiangJiang New Area Management Committee.

#### 17. Accounts payable

Ages	Closing balance	Opening balance
Within 1 year	2,021,908,976.46	2,345,052,805.09

Ages	Closing balance	Opening balance
1-2 years	624,807,893.06	13,220,866.18
2-3 years	12,673,775.88	2,217,138.96
Over 3 years	2,306,931.29	546,352.00
Total	2,661,697,576.69	2,361,037,162.23

18. Advances received

(1) Details

Ages	Closing balance	Opening balance
Within 1 year	349,310,855.78	1,506,902,125.70
1-2 years	667,146,964.17	3,789,048,176.03
2-3 years	3,510,724,726.03	1,775,450,000.00
Over 3 years	1,600,000,000.00	648,137,400.00
Total	6,127,182,545.98	7,719,537,701.73

(2) Significant advances received with age over one year

Items	Closing balance	Reasons for unsettlement
长沙兴茂投资有限公司 (Changsha Xingmao Investment Co., Ltd. *)	4,814,700,000.00	Cooperation fund for Meixihu Phase II and Land A project
Subtotal	4,814,700,000.00	

19. Employee benefits payable

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	42,021,981.62	109,811,569.71	116,751,426.78	35,082,124.55
Post-employment benefits - defined benefit plan		6,144,961.08	6,144,961.08	
Total	42,021,981.62	115,956,530.79	122,896,387.86	35,082,124.55

(2) Details of short-term employee benefits

Items	Opening balance	Increase	Decrease	Closing balance
Wage, bonus, allowance and subsidy	42,021,981.62	93,296,917.47	100,236,774.54	35,082,124.55
Employee welfare fund		3,190,527.51	3,190,527.51	
Social insurance premium		3,548,803.37	3,548,803.37	
Including: Medicare premium		2,569,529.99	2,569,529.99	
Occupational injuries premium		745,392.82	745,392.82	
Maternity premium		233,880.56	233,880.56	
Housing provident fund		3,744,691.10	3,744,691.10	
Trade union fund and employee education fund		2,481,826.89	2,481,826.89	

\* The English name is for identification purpose only.



Items	Opening balance	Increase	Decrease	Closing balance
Subtotal	42,021,981.62	109,811,569.71	116,751,426.78	35,082,124.55

(3) Details of defined benefit plan

Items	Opening balance	Increase	Decrease	Closing balance
Basic endowment insurance premium		5,841,061.58	5,841,061.58	
Unemployment insurance premium		295,803.00	295,803.00	
Company annuity payment		8,096.50	8,096.50	
Subtotal		6,144,961.08	6,144,961.08	

20. Taxes and rates payable

Items	Closing balance	Opening balance
VAT	1,155,412.00	
Business tax	989,396.28	3,512,495.69
Enterprise income tax	1,875,146.48	1,159,409.54
Individual income tax withheld for tax authorities	1,547,484.52	1,533,853.83
Urban maintenance and construction tax	111,637.99	245,999.21
Housing property tax	295,418.51	31,685.26
Land use tax	13,333.33	876,767.01
Stamp duty	502,473.19	1,672,080.35
Education surcharge	48,855.19	131,896.84
Local education surcharge	31,108.21	44,494.92
Water conservancy construction fund	9,982.84	21,043.31
Total	6,580,248.54	9,229,725.96

21. Interest payable

Items	Closing balance	Opening balance
Borrowing interest	21,466,720.40	11,831,841.74
Corporate bond interest	136,657,704.92	103,799,576.00
Medium-term notes interest	4,424,043.72	4,456,300.00
Total	162,548,469.04	120,087,717.74

22. Other payables

Ages	Closing balance	Opening balance
Within 1 year	348,074,362.65	384,456,770.83
1-2 years	113,982,131.91	70,043,997.73
2-3 years	37,561,295.29	48,925,162.26

Ages	Closing balance	Opening balance
Over 3 years	53,841,421.80	8,447,192.80
Total	553,459,211.65	511,873,123.62

23. Non-current liabilities due within one year

Items	Closing balance	Opening balance
Long-term borrowings due within one year	125,000,000.00	175,000,000.00
Long-term payable due within one year	380,000,000.00	265,000,000.00
Bonds payable within one year	360,000,000.00	
Total	865,000,000.00	440,000,000.00

24. Long-term borrowings

(1) Details

Items	Closing balance	Opening balance
Mortgaged, secured borrowings	840,000,000.00	3,675,000,000.00
Pledged borrowings	620,000,000.00	
Total	1,460,000,000.00	3,675,000,000.00

(2) Details of pledged borrowings

Collaterals of the pledged borrowings are the accounts receivable in the “Government Purchase Service Agreement on Construction Project of the West Second Ring Traffic Improvement Engineering”, “Government Purchase Service Agreement on Construction Project of Houhu Road (Qingshui Road to Fubuhe Road) Engineering” and “Government Purchase Service Agreement on Construction Project of Hanpu Road (the First Section)”. As of December 31, 2016, the balance of such accounts receivable was 0 yuan.

25. Bonds payable

(1) Details

Items	Closing balance	Opening balance
Medium-term notes	100,000,000.00	100,000,000.00
Bonds payable	4,440,000,000.00	1,800,000,000.00
Total	4,540,000,000.00	1,900,000,000.00

(2) Current period movements

Bonds	Medium-term notes	Bonds payable		Total
Amount outstanding	100,000,000.00	1,800,000,000.00	3,000,000,000.00	4,900,000,000.00
Issuing date	5/23/2014	3/17/2014	9/22/2016	
Maturity	5/23/2019	3/16/2021	9/21/2021	

Bonds	Medium-term notes	Bonds payable		Total
Opening balance	100,000,000.00	1,800,000,000.00		1,900,000,000.00
Current period issuance [Note]			3,000,000,000.00	3,000,000,000.00
Current period repayment				
Other decrease [Note]		360,000,000.00		360,000,000.00
Closing balance	100,000,000.00	1,440,000,000.00	3,000,000,000.00	4,540,000,000.00

Note: Current increase is due to the non-public offering of corporate bonds, with amount outstanding of 3 billion yuan, coupon rate of 3.91% and term of 5 years, attached with the issuer redemption option, coupon rate adjustment option and option of selling back at the end of the third year. Current decrease is due to the transfer into bonds payable due within one year.

## 26. Long-term payables

### (1) Details

Items	Closing balance	Opening balance
Entrusted loans	4,305,000,000.00	4,659,500,000.00
Government borrowings	1,554,300,000.00	599,300,000.00
Other borrowings	28,000,000.00	
Total	5,887,300,000.00	5,258,800,000.00

### (2) Other remarks

1) Government borrowings are payables due to the Finance Bureau of Hunan XiangJiang New Area Management Committee.

2) The Company entrusted Hunan XiangJiang New Area Land Reserve (Trade) Center to obtain a loan of 4,685,000,000.00 yuan from the bank, of which, 380,000,000.00 yuan was due within one year.

## 27. Special payable

Items	Opening balance	Increase	Decrease	Closing balance
Special fund for pilot area exhibition hall	10,853,204.33			10,853,204.33
Special construction fund for shanty-area renovation	50,310,000.00	20,000,000.00		70,310,000.00
The first batch of provincial special fund for heavy metal pollution prevention and control of 2016		19,000,000.00		19,000,000.00
Municipal road construction projects	1,283,222,258.54	394,820,000.00	1,678,042,258.54	
Nursery of Changsha Oaks Plaza project	7,400,000.00		7,400,000.00	
Kindergarten of Changsha Oaks Lake project	9,000,000.00		9,000,000.00	

Items	Opening balance	Increase	Decrease	Closing balance
Duffy leisure sightseeing cruise	9,000,000.00			9,000,000.00
Electronic information industry support	100,000,000.00			100,000,000.00
Fenglin Road transformation	15,000,000.00			15,000,000.00
Rivers and lakes connected project		50,000,000.00		50,000,000.00
Comprehensive renovation project of Leifeng River		10,000,000.00		10,000,000.00
Comprehensive improvement of Leifeng Lake and Longwang Port Phase III		10,000,000.00		10,000,000.00
Longwang Port basin water environment improvement and water resources utilization project	17,100,000.00	14,000,000.00	600,000.00	30,500,000.00
Meixihu affordable housing Phase II	287,010,000.00			287,010,000.00
Meixihu affordable housing Phase I	287,677,500.00			287,677,500.00
Comprehensive improvement lake renovation of Meixihu	34,200,000.00			34,200,000.00
West area of Meixihu	7,100,000.00			7,100,000.00
Meixihu comprehensive development and utilization engineering	25,800,000.00		2,000,000.00	23,800,000.00
Tunnel project of Third Ring Road	44,256,200.00	237,000,300.00	210,000,000.00	71,256,500.00
Conference Cultural Arts Center	3,890,000.00	20,305,736.00	24,195,736.00	
Women and children hospital construction funds	35,000,000.00			35,000,000.00
other projects	3,602,984.00	11,946,924.00	882,117.40	14,667,790.60
Total	2,230,422,146.87	787,072,960.00	1,932,120,111.94	1,085,374,994.93

## 28. Deferred income

### (1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Share in income of High-tech Zone cooperation projects	171,195,170.06		12,533,159.25	158,662,010.81
Subsidy for International Cultural Arts Center		24,195,736.00		24,195,736.00
Meixihu International Cultural and Arts Center Commercial Complex Project		56,589,400.00		56,589,400.00
Total	171,195,170.06	80,785,136.00	12,533,159.25	239,447,146.81

### (2) Details of government grants

Items	Opening balance	Increase	Included in non-operating revenue in current period	Other movements	Closing balance	Related to assets/ income
Share in income of High-tech Zone cooperation projects	171,195,170.06			12,533,159.25	158,662,010.81	Related to income
Subsidy for International Cultural Arts Center		24,195,736.00			24,195,736.00	Related to assets

Items	Opening balance	Increase	Included in non-operating revenue in current period	Other movements	Closing balance	Related to assets/ income
Meixihu International Cultural and Arts Center Commercial Complex Project		56,589,400.00			56,589,400.00	Related to assets
Total	171,195,170.06	80,785,136.00		12,533,159.25	239,447,146.81	

#### 29. Other non-current liabilities

Items	Closing balance	Opening balance
Risk sinking funds		500,000,000.00
Education construction funds	399,720,000.00	299,720,000.00
Land reserve funds	789,407,758.27	864,000,000.00
Total	1,189,127,758.27	1,663,720,000.00

#### 30. Paid-in capital

##### (1) Details

Investor	Opening balance	Increase	Decrease	Closing balance
XiangJiang New Area Management Committee	18,532,623,954.88	2,575,273,556.72		21,107,897,511.60
Total	18,532,623,954.88	2,575,273,556.72		21,107,897,511.60

##### (2) Remarks on movements

1) In May 2016, XiangJiang New Area Management Committee invested 18,611,732,135.05 yuan to the Company in the form of 100% equity of XiangJiang Investment Company, Meixihu Company and Municipal Construction Company, of which, paid-in capital amounted to 18,600,000,000.00, and capital reserve amounted to 11,732,135.05 yuan. Such contribution of registered capital was verified by 瑞华会计师事务所 (Ruihua Certified Public Accountants\*) and a Capital Verification Report numbered Rui Hua Xiang Yan Zi [2016] 4302004 was issued thereon. In the pro forma balance sheet, balance of paid-in capital on December 31, 2015 amounted to 18,532,623,954.88 yuan, and the increase in 2016 amounted to 67,376,045.12 yuan.

2) In June 2016, the Company received the registered capital of 500 million yuan subscribed by XiangJiang New Area Management Committee. Such contribution was verified by 湖南华维联合会计师事务所 (Hunan Huawei United Certified Public Accountants\*) and a Capital Verification Report numbered Xiang Hua Wei Yan Zi (2016) 007 was issued thereon.

3) From August to December in 2016, the Company received the registered capital totaling 2,007,897,511.60 yuan subscribed by XiangJiang New Area Management Committee. Such contribution was verified by Hunan Huawei United Certified Public Accountants and a Capital Verification Report numbered Xiang Hua Wei Shen Zi (2017) 001 was issued thereon.

\* The English names are for identification purpose only.

31. Capital reserve

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Capital premium		761,708,619.62		761,708,619.62
Total		761,708,619.62		761,708,619.62

(2) Reason and basis for movements of capital reserve

1) Please refer to section 30 in the notes to items of pro forma consolidated financial statements for details.

2) In December 2016, changes in proportionate share of net assets of subsidiaries (excluding net profit and loss, and other comprehensive income) amounted to 749,976,484.57 yuan.

32. Undistributed profit

(1) Details

Items	Amount	Distribute proportion
Opening balance		
Add: Net profit attributable to owners of the parent company	315,773,372.88	
Less: Appropriation of statutory surplus reserve		
Delivered profit	62,986,600.00	
Closing balance	252,786,772.88	

(2) Other remarks

In accordance with the “Notice on Collection of State-Owned Capital Operating Income in 2016” (numbered Chang Guo Zi Yu Suan [2016] 52), the Company’s subsidiaries XiangJiang Investment Company and Meixihu Company delivered operating budget income of 20,040,800.00 yuan and 42,945,800.00 yuan respectively.

(II) Notes to items of the pro forma parent company income statement

1. Operating revenue/Operating cost

(1) Details

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	2,926,892,033.88	2,590,187,747.29	2,440,481,316.19	2,174,246,233.14
Other operations	4,353,843.41	938,776.76	7,328,253.46	446,397.73
Total	2,931,245,877.29	2,591,126,524.05	2,447,809,569.65	2,174,692,630.87

(2) Revenue from main operations/Cost of main operations (by products)

Items	Current period cumulative	Preceding period comparative
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	Revenue	Cost	Revenue	Cost
Primary land development	2,640,384,918.93	2,312,656,030.77	1,991,637,456.85	1,771,193,857.23
Including: Meixihu District	1,373,228,948.93	1,124,832,428.16	1,727,564,749.85	1,532,226,867.23
Dawang Mountain District	1,267,155,970.00	1,187,823,602.61	264,072,707.00	238,966,990.00
Urban roads and infrastructure projects	225,571,469.42	214,132,818.02	405,134,264.70	375,124,319.17
Asset operations and services	60,935,645.53	63,398,898.50	43,709,594.64	27,928,056.74
Subtotal	2,926,892,033.88	2,590,187,747.29	2,440,481,316.19	2,174,246,233.14

## 2. Taxes and surcharge for operations

Items	Current period cumulative	Preceding period comparative
Business tax	1,571,275.76	5,478,232.90
Urban maintenance and construction tax	233,195.15	385,288.98
Education surcharge	154,301.25	273,470.31
Local education surcharge	12,228.21	1,736.07
Stamp duty [Remark]	313,911.34	
Land use tax [Remark]	1,431,701.11	
Housing property tax [Remark]	1,561,672.88	
Water conservancy fund	22,085.64	22,773.57
Total	5,300,371.34	6,161,501.83

Note: Pursuant to Provisions on Accounting Treatment of Value-Added Tax (numbered Cai Kuai [2016] 22) and Interpretation about Provisions on Accounting Treatment of Value-Added Tax that issued by Ministry of Finance, amounts of housing property tax, land use tax and stamp duty for the period from May to December, 2016 are listed in “taxes and surcharge for operations”, while those for the period prior to May 2016 are listed in “administrative expenses”.

## 3. Financial expenses

Items	Current period cumulative	Preceding period comparative
Interest expenditures	2,024,010.20	4,915,929.93
Less: Interest income	1,985,501.23	1,312,484.46
Bank handling fees	106,824.11	62,813.32
Total	145,333.08	3,666,258.79

## 4. Assets impairment loss

Items	Current period cumulative	Preceding period comparative
Bad debts	1,961,230.56	858,600.55
Total	1,961,230.56	858,600.55

5. Investment income

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	7,835,787.79	24,353,142.95
Interest income of financial products	3,117,008.56	
Total	10,952,796.35	24,353,142.95

6. Non-operating revenue

(1) Details

Items	Current period cumulative	Preceding period comparative
Government grants	39,485,800.00	56,670,000.00
Others	98,304.95	135,108.29
Total	39,584,104.95	56,805,108.29

(2) Government grants

Items	Current period cumulative	Preceding period comparative	Relates to assets/ income
Refund of state-owned capital operating income	34,695,800.00	56,240,000.00	Relates to income
Subsidy for Meixihu International Festival of Lights	2,000,000.00		Relates to income
Subsidy for Changsha Entrepreneurship and Innovation Business Project	400,000.00		Relates to income
Changsha Start-up Base Supporting Project	1,500,000.00		Relates to income
Subsidy for energy conservation and emission reduction from Meixihu Middle school		430,000.00	Relates to income
Subsidy for “Green City” construction	670,000.00		Relates to income
Others	220,000.00		Relates to income
Subtotal	39,485,800.00	56,670,000.00	

7. Non-operating expenditure

Items	Current period cumulative	Preceding period comparative
Losses on disposal of non-current assets	5,046.16	20,660.31
Including: Losses on disposal of fixed assets	5,046.16	20,660.31
Donations	120,000.00	600.00
Others	206,017.90	154,128.50
Total	331,064.06	175,388.81



## 8. Income tax expenses

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses	797,473.15	1,160,624.33
Total	797,473.15	1,160,624.33

### (III) Notes to items of the pro forma consolidated cash flow statement

#### 1. Supplement information to the cash flow statement

Supplement information	Current period cumulative	Preceding period comparative
(1) Reconciliation of net profit to cash flow from operating activities:		
Net profit	306,796,762.89	285,579,117.64
Add: Provision for assets impairment loss	1,961,230.56	858,600.55
Depreciation of fixed assets, oil and gas assets, productive biological assets	27,046,353.36	5,250,778.29
Amortization of intangible assets	38,159,471.81	28,081,711.26
Amortization of long-term prepayments	307,753.33	173,378.35
Loss on disposal of fixed assets, intangible assets and other non-current assets (Less: gains)	5,046.16	20,660.31
Fixed assets retirement loss (Less: gains)		
Losses on changes in fair value (Less: gains)		
Financial expenses (Less: gains)	2,024,010.20	4,915,929.93
Investments losses (Less: gains)	-10,952,796.35	-24,353,142.95
Decrease of deferred tax assets (Less: increase)		
Increase of deferred tax liabilities (Less: decrease)		
Decrease in inventories (Less: increase)	-2,742,150,061.59	-5,616,956,588.60
Decrease in operating receivables (Less: increase)	-1,436,360,389.06	-74,210,021.61
Increase of operating payables (Less: decrease)	-1,798,602,333.88	970,669,541.79
Others		
Net cash flow from operating activities	-5,611,764,952.57	-4,419,970,035.04
(2) Significant investing and financing activities not related to cash receipts and payments:		
Conversion of debt into share capital		
Convertible bonds due within one year		
Fixed assets rented in under finance leases		
(3) Net changes in cash and cash equivalents:		
Cash at the end of the period	3,954,410,435.62	4,488,324,441.29
Less: Cash at the beginning of the period	4,488,324,441.29	2,888,612,128.84
Add: Cash equivalents at the end of the period		

Supplement information	Current period cumulative	Preceding period comparative
Less: Cash equivalents at the beginning of the period		
Net increase of cash and cash equivalents	-533,914,005.67	1,599,712,312.45

(2) Cash and cash equivalents

Items	Closing balance	Opening balance
1) Cash	3,954,410,435.62	4,488,324,441.29
Including: Cash on hand	112,738.96	133,609.71
Cash in bank on demand for payment	3,954,297,696.66	4,488,190,831.58
2) Cash equivalents	3,954,410,435.62	4,488,324,441.29

(IV) Assets with title or use right restrictions

Items	Closing carrying amount	Reasons for restrictions
Inventories	1,707,892,700.00	Pledged for bank long-term borrowings
Inventories	683,939,900.00	Collaterals of external guarantees
Total	2,391,832,600.00	

**VII. Related party relationships and transactions**

(I) Related party relationships

1. Parent company

Parent company	Place of registration	Business nature	Holding proportion over the Company (%)	Voting right proportion over the Company (%)
Hunan XiangJiang New Area Management Committee	Changsha	Non-corporate government agency	100.00	100.00

Note: Pursuant to the Reply on Registration of Investor Change (numbered Chang Guo Zi [2017] 26) by State-owned Assets Supervision and Administration Commission of Changsha Provincial People's Government (hereinafter referred to as the "Changsha SASAC"), it was agreed to change the Company's investor from Hunan XiangJiang New Area Management Committee to Changsha SASAC. The Company registered such change at Changsha Administration for Industry and Commerce on March 9, 2017.

2. Please refer to section V for details on the Company's subsidiaries.

3. Please refer to section V for details on the Company's significant joint ventures or associates.

4. Other related parties

Related parties	Relationships with the Company
Changsha Zhongjian Future Science City Investment Co., Ltd.	Significant influence on subsidiaries

Related parties	Relationships with the Company
Changsha Meixihu Jinyue Properties Co., Ltd.	The Company has significant influence over this company.

(II) Related party transactions

Under the authorization of Hunan XiangJiang New Area Management Committee, XiangJiang Investment Company is responsible for the development of Dawang Mountain Area, Meixihu Company is responsible for the development of Meixihu Area and the primary land development of High-tech Cooperation Area, and Municipal Construction Company is responsible for under roads project. In the current period, income from primary land development amounted to 2,640,384,918.93 yuan and income of urban roads and infrastructure projects amounted to 225,571,469.42 yuan. Property management service income of the Company's subsidiaries Hunan XiangJiang City Operating Management Co., Ltd. and Changsha Dawang Mountain Property Management Co., Ltd. acquired from Finance Bureau of Hunan XiangJiang New Area Management Committee amounted to 19,089,775.39 yuan and 14,907,751.68 yuan respectively.

(III) Balances due to or from related parties

1. Balances due from related parties

Items	Related parties	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable					
	Finance Bureau of Hunan XiangJiang New Area Management Committee	1,718,545,251.74		597,763,722.59	
Other receivables					
	Changsha Zhongjian Future Science City Investment Co., Ltd.	398,247,800.00			
	Finance Bureau of Hunan XiangJiang New Area Management Committee	47,000,000.00			
Long term receivables					
	Changsha Meixihu Jinyue Properties Co., Ltd.			141,709,901.40	

2. Account payables due from related parties

Items	Related parties	Closing balance	Opening balance
Advances received			
	Finance Bureau of Hunan XiangJiang New Area Management Committee	1,286,957,809.52	1,709,787,976.73
Long-term payables			
	Finance Bureau of Hunan XiangJiang New Area Management Committee	1,554,300,000.00	599,300,000.00

## VIII. Other significant events

### (I) Contingencies

Contingent liabilities incurred by providing debt guarantees for other entities and the financial effect

#### 1. Guarantee

Guaranteed parties	Financial institutions granting borrowings	Amount of borrowings guaranteed	Term of guarantee	Remarks
XiangJiang New Area Land Reserve (Trading) Center	Agricultural Development Bank of China, Changsha Jianxiang Sub-Branch	2 billion	Dec. 31, 2014 to Dec. 30, 2019	

#### 2. Mortgage

Guaranteed parties	Collateral owners	Collateral	Carrying amount (in ten thousand yuan)	Amount of borrowings guaranteed (in ten thousand yuan)	Borrowings maturity date	Remarks
XiangJiang New Area Land Reserve (Trading) Center	China Merchants Bank Co., Ltd., Changsha Branch	Chang Guo Yong (2012) Di Rong 004	52,738.00	32,000.00	5/15/2020	Master contract No. 61DK150015
		Chang Xian Dao Guo Yong (2012) Di Rong 025	15,655.99			

### (II) Commitments

As of the balance sheet date, the Company has no commitments to be disclosed.

### (III) Others events

Pursuant to the Reply on Registration of Investor Change (numbered Chang Guo Zi [2017] 26) by Changsha SASAC, it was agreed to change the Company's investor from Hunan XiangJiang New Area Management Committee to Changsha SASAC. The Company registered such change at Changsha Administration for Industry and Commerce on March 9, 2017.

Hunan XiangJiang New Area Development Group Co., Ltd.

April 5, 2017

**ISSUER**

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