IMPORTANT NOTICE
THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE OF THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to this offering memorandum (the "offering memorandum") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of this offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES AND THE PARENT GUARANTEE 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, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING MEMORANDUM 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 DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. 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 AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

The following offering memorandum is not a prospectus for the purposes of the European Union's Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the "EU Prospectus Directive"). The following offering memorandum has been prepared on the basis that all offers of the securities made to persons in any member state of the European Economic Area which has implemented the EU Prospectus Directive will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a prospectus in connection with offers of the securities.

Confirmation and your representation: In order to be eligible to view this offering memorandum or make an investment decision with respect to the securities, investors must comply with the following provisions. By accepting the e-mail and accessing this offering memorandum, you shall be deemed to have represented to us that: (1) you and any customers you represent are outside the United States, that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States (within the meaning of Regulation S under the Securities Act), and to the extent you purchase the securities described in the attached offering memorandum, you will be doing so in an offshore transaction pursuant to and in compliance with Regulation S under the Securities Act; and (2) that you consent to delivery of such offering memorandum by electronic transmission.

Within the United Kingdom, this offering memorandum is being directed solely at and may only be communicated to persons: who (i) fall within Article 19(5) or Article 49(2)(a)-(d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005; (ii) are outside the United Kingdom; or (iii) are persons to whom an invitation or inducement to engage in an investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise be lawfully communicated or caused to be communicated (all such persons collectively being referred to as "Relevant Persons"). This offering memorandum is directed only at Relevant Persons. Any investment or investment activity to which this offering memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. This offering memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person. Any person who is not a Relevant Person should not act or rely on the offering memorandum or any of its contents.

You are reminded that this offering memorandum has been delivered to you on the basis that you are a person into whose possession this offering memorandum may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver this offering memorandum or disclose the contents of this offering memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers (as defined below) or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on our behalf in such jurisdiction.

This offering memorandum 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, none of the Initial Purchasers (as defined therein) or any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

Actions That You May Not Take: You should not reply by e-mail to this electronic transmission, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

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

STRICTLY CONFIDENTIAL

Jiangsu Nantong Sanjian International Co., Ltd.
江蘇南通三建國際有限公司

(incorporated with limited liability in the British Virgin Islands)

US$300,000,000 7.80% Guaranteed Senior Notes due 2020
unconditionally and irrevocably guaranteed by

南通三建

Jiangsu Nantong Sanjian Construction Group Co., Ltd.
（江蘇南通三建集團股份有限公司）

(incorporated with limited liability in the People's Republic of China and listed on the National Equities Exchange and Quotations under stock code 838583)

Jiangsu Nantong Sanjian International Co., Ltd. 江蘇南通三建國際有限公司 (the "Issuer"), a subsidiary of Jiangsu Nantong Sanjian Construction Group Co., Ltd. (the "Company" or "Parent Guarantor"), is offering US$300,000,000 aggregate principal amount of its 7.80% Guaranteed Senior Notes due 2020 (the "Notes"). The Notes will mature on October 26, 2020. The Issuer will pay interest on the Notes on April 26 and October 26 of each year, commencing on April 26, 2018.

The Notes will initially be guaranteed (the "Parent Guarantee") by the Parent Guarantor. Certain of the Company's subsidiaries (the "Subsidiary Guarantors") may guarantee (the "Subsidiary Guarantees") the Notes in the future. Certain of the Company's non-wholly owned subsidiaries (the "JV Subsidiary Guarantors," together with the Parent Guarantor and Subsidiary Guarantors, the "Guarantors") may also provide JV Subsidiary Guarantees (as defined in "Description of the Notes," and together with the Parent Guarantee and Subsidiary Guarantees, the "Guarantees").

The Notes will be (i) general obligations of the Issuer, (ii) senior in right of payment to any obligations of the Issuer expressly subordinated in right of payment to the Notes, (iii) at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness (as defined in "Description of the Notes") of the Issuer (subject to any priority rights of such unsecured, unsubordinated Indebtedness under applicable law), (iv) guaranteed by the Parent Guarantor, the Subsidiary Guarantors and JV Subsidiary Guarantors, if any, on a senior basis, subject to the limitations described in this offering memorandum, (v) effectively subordinated to secured obligations of the Issuer, the Parent Guarantor, the Subsidiary Guarantors and JV Subsidiary Guarantors, if any, to the extent of the value of the assets serving as security therefor, and (vi) effectively subordinated to all obligations of the Non-Guarantor Subsidiaries (as defined in "Description of the Notes"). The Guarantees will be (i) general obligations of the Guarantors, (ii) effectively subordinated to the secured obligations of the Guarantors, to the extent of the assets serving as security therefor, (iii) senior in right of payment to any obligations of the Guarantors expressly subordinated in right of payment to the Guarantees, (iv) at least *pari passu* in right of payment with all other unsecured and unsubordinated Indebtedness of the Guarantors (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law), and (v) effectively subordinated to all obligations of the Non-Guarantor Subsidiaries.

The Issuer may at any time and from time to time redeem up to 35% of the aggregate principal amount of the Notes using the proceeds of certain equity offerings by the Company at the redemption price of 107.80% of the principal amount of the Notes redeemed, plus any accrued and unpaid interest. Additionally, the Issuer may redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus a "make-whole" premium plus any accrued and unpaid interest. If the Parent Guarantor experiences specified kinds of changes in control, the Issuer or the Parent Guarantor must offer to purchase the Notes at a price equal to 101% of their principal amount plus any accrued and unpaid interest. The Issuer may redeem all but not some of the Notes upon the occurrence of certain changes in applicable tax laws.

Pursuant to the Circular on Promoting the Reform of the Administrative System on the Filings and Registrations of Foreign Debt Issuance by Enterprises（國家發展改革委關於推進企業發行外債備案登記制管理改革的通知（發改外資[2015]2044號）) (the "NDRC Circular") issued by the National Development and Reform Commission of the People's Republic of China (the "NDRC") on September 14, 2015 which came into effect on the same day, the Company has registered the issuance of the Notes with the NDRC and obtained a certificate from the NDRC evidencing such registration and intends to provide the requisite information on the issuance of the Notes to the NDRC within 10 Registration Business Days after the original issue date of the Notes. Under the Notice on the Promulgation of the Provisions on Foreign Exchange Administration of Cross-border Guarantee（國家外匯管理局關於發布《跨境擔保外匯管理規定》的通知（匯發[2014]29號）), issued by the State Administration of Foreign Exchange (the "SAFE") on May 12, 2014, effective from June 1, 2014 (the "Cross-border Guarantee Provisions"), the Parent Guarantor is required to register the Parent Guarantee with the local branch of the SAFE as a procedural matter within 15 Registration Business Days after the date of execution of the Parent Guarantee. Under the indenture governing the Notes (the "Indenture"), upon completion of registration of the Parent Guarantee with Haimen local branch of the SAFE, the Parent Guarantor is required to deliver to the Trustee an Officers' Certificate attaching a copy of the relevant certificate of registration from the local branch of the SAFE and certifying that such copy is true and correct (such registration and delivery of an Officers' Certificate attaching the local branch certificate referred to collectively as the "SAFE Completion Event"). If, on the date that is 90 Registration Business Days after the closing date of the offering, the SAFE Completion Event shall not have occurred, the Issuer will be required under the Indenture to make an offer to purchase all of the Notes at a price equal to 100% of the principal amount of the Notes redeemed, plus any accrued and unpaid interest. See "Description of the Notes – Repurchase of Notes upon a SAFE Noncompliance Event."

Investing in the Notes involves risks. See "Risk Factors" beginning on page 15.

Issue Price: 100%

Application has been made for the listing of the Notes on the Singapore Exchange Securities Trading Limited ("SGX"). SGX assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this offering memorandum. Admission of the Notes to the official list of the SGX is not to be taken as an indication of the merits of the Issuer or the Notes. You are advised to read and understand the contents of this offering memorandum before investing. If in doubt, you should consult your advisor.

The Company has been assigned a long-term foreign currency issuer default rating of "B2" with a stable outlook by Moody's Investors Service, Inc., or Moody's. The Issuer expects the Notes to be assigned a rating of "B2" by Moody's. A suspension, reduction or withdrawal of the rating assigned to the Notes may adversely affect the market price of the Notes. There can be no assurance that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant. These ratings do not constitute a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by Moody's.

The Notes and the Parent Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction. The Notes and the Parent Guarantee may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes and the Parent Guarantee may be offered and sold only in offshore transactions in compliance with Regulation S under the Securities Act. For a description of certain restrictions on resales and transfers, see "Plan of Distribution" and "Transfer Restrictions."

The Notes will be represented by beneficial interests in a permanent global note (the "Global Note") in registered form, without interest coupons attached, which will be registered in the name of a nominee of, and shall be deposited on or about October 26, 2017 (the "Issue Date") with a common depositary for, Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, S.A. ("Clearstream").

Joint Global Coordinators

Bank of China | **CCB International** | **Guotai Junan International**

Joint Bookrunners and Joint Lead Managers

Bank of China	**CCB International**	**Guotai Junan International**	**CICC HK Securities**	**China CITIC Bank International**	**CMBC Capital**	**Société Générale Corporate & Investment Banking**	**SPDB International**

Financial Advisor
(in relation to PRC matters)
Bank of Jiangsu

The date of this offering memorandum is October 19, 2017

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This offering memorandum does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates, or an offer to sell or the solicitation of an offer to buy such securities by any person in any circumstances in which such offer or solicitation is unlawful. In addition, there may be legal restrictions on the distribution of this offering memorandum and the offering of the Notes in certain jurisdictions. If you come into possession of this offering memorandum, the Company and its subsidiaries (collectively, the "Group"), Bank of China Limited, CCB International Capital Limited, Guotai Junan Securities (Hong Kong) Limited, China International Capital Corporation Hong Kong Securities Limited, China CITIC Bank International Limited, CMBC Securities Company Limited, Société Générale and SPDB International Capital Limited (collectively the "Initial Purchasers" and each an "Initial Purchaser") require that you inform yourself about and observe any such restrictions. See "Plan of Distribution" and "Transfer Restrictions."

Neither the United States Securities and Exchange Commission nor any state securities commission or regulatory authority in the United States has approved or disapproved these securities or determined if this offering memorandum is truthful, complete or adequate. Any representation to the contrary is a criminal offense.

This offering memorandum is not a prospectus for the purposes of the European Union's Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the "EU Prospectus Directive"). This offering memorandum has been prepared on the basis that all offers of the Notes made to persons in the European Economic Area will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a prospectus in connection with offers of the Notes.

This offering memorandum is strictly confidential. The Group is furnishing this offering memorandum solely for the purpose of enabling you to consider the purchase of the Notes. If you have any doubt about this offering memorandum, you should consult your bank manager, legal counsel, professional accountant or other professional advisor. Each person receiving this offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request from the Group and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers or Citicorp International Limited (the "Trustee") or Citibank, N.A., London Branch (the "Paying Agent", the "Transfer Agent" and the "Registrar", together, the "Agents") or any person affiliated with the Initial Purchasers or the Trustee or the Agents in connection with any investigation of

the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning the Group, the Notes or the Guarantees other than as contained herein.

In making an investment decision, each prospective investor must rely on its own examination of the Group and the terms of the Notes, including, without limitation, the merits and risks involved. Each person receiving this offering memorandum is advised to read and understand the contents of this offering memorandum, including the financial statements and the related notes thereto, before investing in the Notes. The Group has provided the information contained in this offering memorandum and has also relied on other identified sources.

The Group, having made all reasonable inquiries, confirms that: (i) this offering memorandum contains all information with respect to the Group referred to in this offering memorandum and the Notes and the Guarantees that is material in the context of the issue and offering of the Notes; (ii) the statements contained in this offering memorandum relating to the Group are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this offering memorandum with regard to 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 Group, the Notes and the Guarantees, the omission of which would, in the context of the issue and offering of the Notes, make this offering memorandum, as a whole, misleading in any material respect; and (v) the Group has made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. The Company accepts full responsibility for the accuracy of the information contained in this offering memorandum.

Neither the Initial Purchasers, the Trustee or the Agents has independently verified any of the information contained in this offering memorandum and they make no representation or warranty, express or implied, as to the accuracy, sufficiency or completeness of such information, and you should not rely on anything contained in this offering memorandum as a promise or representation by the Initial Purchasers, the Trustee or the Agents. To the fullest extent permitted by law, none of the Initial Purchasers, the Trustee or the Agents or any of their respective directors, officers and affiliates accept any responsibility or liability in relation to information contained in this offering memorandum, statement made or purported to be made by any of the Initial Purchasers, the Trustee or the Agents or on its behalf, or any other information provided by the Group in connection with the Issuer, the Notes, the Guarantees or the issue and offering of the Notes. This offering memorandum is not intended to provide the basis of any credit or other evaluation, nor should it be considered as a recommendation by the Issuer, the Guarantors, the Initial Purchasers, the Trustee or the Agents that any recipient of this offering memorandum should purchase the Notes.

You should not reproduce or distribute this offering memorandum, in whole or in part, and should not disclose any contents or use any information in this offering memorandum for any purpose other than considering an investment in the Notes. None of the Initial Purchasers or any of their respective affiliates undertakes to review the financial condition or affairs of the Issuer or the Guarantors for so long as the Notes remain outstanding, nor to advise any investor or potential investor of the Notes of any information coming to the attention of any of the Initial Purchasers or their respective affiliates. By accepting delivery of this offering memorandum, you agree to these terms.

Each prospective purchaser of the Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this offering memorandum and must obtain any consents, approvals or permissions required for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and none of the Issuer, the Guarantors and the Initial Purchasers shall have any responsibility therefor.

The Group reserves the right to withdraw the offering of Notes at any time, and the Initial Purchasers reserve the right to reject any commitment to subscribe for the Notes in whole or in part and to allot to any prospective purchaser less than the full amount of the Notes sought by such purchaser. The Initial Purchasers and certain related entities may acquire for their own account a portion of the Notes.

IN CONNECTION WITH THIS OFFERING, ANY OF THE INITIAL PURCHASERS APPOINTED AND ACTING IN ITS CAPACITY AS A STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF), MAY ENGAGE IN STABILIZING TRANSACTIONS, OVER-ALLOCATION TRANSACTIONS, SYNDICATE COVERING TRANSACTIONS AND PENALTY BIDS IN COMPLIANCE WITH ALL APPLICABLE LAWS AND REGULATORY REQUIREMENTS. THESE STABILIZING TRANSACTIONS, OVER-ALLOTMENT TRANSACTIONS, SYNDICATE COVERING TRANSACTIONS AND PENALTY BIDS MAY HAVE THE EFFECT OF RAISING OR MAINTAINING THE MARKET PRICE OF THE NOTES OR PREVENTING OR RETARDING A DECLINE IN THE MARKET PRICE OF THE NOTES. AS A RESULT, THE PRICE OF THE NOTES MAY BE HIGHER THAN THE PRICE THAT MIGHT OTHERWISE EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME. SUCH STABILIZING MANAGER (INCLUDING ITS AFFILIATES OR ANY PERSON ACTING FOR THEM) IS NOT REQUIRED TO ENGAGE IN THESE ACTIVITIES, AND, IF IT DOES COMMENCE THESE ACTIVITIES, IT MAY END THESE ACTIVITIES AT ANY TIME.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

This offering memorandum is prepared using a number of conventions, which you should consider when reading the information contained herein.

In this offering memorandum, references to "the Parent Guarantor," "the Company" and "the Group" are to Jiangsu Nantong Sanjian Construction Group Co., Ltd. itself, or to Jiangsu Nantong Sanjian Construction Group Co., Ltd. together with its consolidated subsidiaries, as the context requires. References to "the Issuer" are to Jiangsu Nantong Sanjian International Co., Ltd. 江蘇南通三建國際有限公司.

Market data, industry forecast and PRC and relevant industry statistics in this offering memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Group believes these sources to be reliable, neither the sources nor the information extracted from any of those sources has been independently verified by the Group or the Initial Purchasers or its or their respective directors, officers or advisors, and neither the Group, the Initial Purchasers nor its or their respective directors, officers and advisors make any representation as to the accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Due to possibly different collection methods and other problems, such statistics herein may be inaccurate. You should not unduly rely on such market data, industry forecast and PRC and relevant industry statistics.

The Group prepares and publishes its consolidated financial statements in Renminbi. Unless otherwise stated in this offering memorandum, all translations from Renminbi to U.S. dollars and from Hong Kong dollars to U.S. dollars have been made at the rates of RMB6.9430 to US$1.00 and HK$7.7534 to US$1.00, respectively, the noon buying rate in effect on December 30, 2016 set forth in the H.10 statistical release of the Federal Reserve Board, and the translation of Renminbi into Hong Kong dollars has been made at the rate of RMB0.8945 to HK$1.00, the median rate released by the China Foreign Exchange Trading Center on December 31, 2016. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars, or Hong Kong dollar amounts, as the case may be, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see "Exchange Rate Information."

References to "PRC" and "China," in the context of statistical information and description of laws and regulations in this offering memorandum, except where the context otherwise requires, do not include Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"), Macau Special Administrative Region of the People's Republic of China ("Macau"), or Taiwan. References to "PRC government" or "State" means the central government of the PRC, together with all political subdivisions (including provincial, municipal and other regional or local governments) and instrumentalities thereof, or, where the context requires, any of them. References to "BVI" are to British Virgin Islands. References to "NEEQ" are to the National Equities Exchange and Quotations.

References to "U.S. dollars," "US$" or "USD" are to United States dollars, the official currency of the United States of America (the "United States" or "U.S."). References to "Renminbi" or "RMB" are to Renminbi, the official currency of the PRC. References to "Hong Kong dollars" or "HK$" are to Hong Kong dollars, the official currency of Hong Kong.

In this offering memorandum, where information has been presented in thousands, millions or billions 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 actual totals of the individual items and actual numbers may differ from those contained herein due to such rounding.

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 name prevails.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, among other things, statements relating to:

- the Group's business and operating strategies;
- the Group's capital expenditure plans;
- the nature of, and potential for, future development of the Group's business;
- the Group's operations and business prospects;
- various business opportunities that the Group may pursue;
- the prospective financial information regarding the Group's businesses;
- availability and costs of bank loans and other forms of financing;
- the Group's construction projects;
- the regulatory environment of the Group's industry in general, including but not limited to the interpretation and implementation of the existing rules and regulations and its future changes in enactment, interpretation or enforcement;
- changes in political, economic, legal and social conditions in China, including the specific policies of the PRC central and local governments affecting the regions where the Group operates;
- significant delay in obtaining various permits, proper legal titles or approvals for the Group's construction projects;
- changes in competitive conditions of the industry where the Group operates and the Group's ability to compete under these conditions;
- the performance of the obligations and undertakings of the third-party contractors under various construction, building, interior decoration, material and equipment supply and installation contracts;
- changes in currency exchange rates; and
- other factors beyond the Group's control.

In some cases, you can identify forward-looking statements by such terminology as "may," "will," "should," "could," "would," "expect," "intend," "plan," "anticipate," "going forward," "ought to," "seek," "project," "forecast," "believe," "estimate," "predict," "potential" or "continue" or the negative of these terms or other comparable terminology. Such statements reflect the current views of the Group's management with respect to future events, operations, results, liquidity and capital resources and are not a guarantee of future performance and may not materialize or may change. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, there can be no assurance that those expectations will prove to be correct, and you are cautioned not to place undue reliance on such statements. In addition, unanticipated events may adversely affect the actual results the Group achieves. Important factors that could cause actual results to differ materially from the Group's expectations are disclosed under "Risk Factors" in this offering memorandum. Except as required by law, the Group undertakes no obligation to update or otherwise revise any forward-looking statements contained in this offering memorandum, whether as a result of new information, future events or otherwise after the date of this offering memorandum. All forward-looking statements contained in this offering memorandum are qualified by reference to the cautionary statements set forth in this section.

ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a limited liability company incorporated in the BVI and the Company is a joint stock limited liability company incorporated in the PRC. The BVI and the PRC have different bodies of securities laws from the United States and protections for investors may differ.

All the Company's assets and all the assets of the Issuer are located outside the United States. In addition, all the Company's directors and officers and the Issuer's directors and officers are nationals and residents of countries other than the United States (principally, the PRC), and all or a substantial portion of such persons' assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon the Company, the Issuer or their directors and officers or to enforce against the Company, the Issuer or their directors and officers judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

The Notes and the Indenture are each governed by the laws of the State of New York. Under the Notes and the Indenture, the Company and the Issuer will irrevocably submit to the non-exclusive jurisdiction of any United States federal court or New York State Court located in the Borough of Manhattan, the City of New York, New York in any suit, action or proceeding arising out of or relating to the Notes, the Parent Guarantee and the Indenture.

The Company and the Issuer expect to appoint Law Debenture Corporate Services Inc. as their agent to receive service of process with respect to any action brought against the Company or the Issuer in the United States federal courts located in the Borough of Manhattan, the City of New York under the federal securities laws of the United States or of any state of the United States or any action brought against the Company or the Issuer in the courts of the State of New York in the Borough of Manhattan, the City of New York under the securities laws of the State of New York.

The Company has been advised by its BVI legal advisors, Walkers, that although there is no statutory enforcement in the BVI of judgments obtained in the New York state or United States federal court sitting in the Borough of Manhattan in the City of New York, the courts of the BVI will recognize such a foreign judgment and treat it as a cause of action in itself which may be sued upon as a debt at common law so that no retrial of the issues would be necessary if fresh proceedings are brought in the BVI to enforce that judgment, provided however that such judgment:

(a) is not in respect of penalties, fines, taxes or similar fiscal or revenue obligations of the Issuer;

(b) is final and for a liquidated sum;

(c) was not obtained in a fraudulent manner;

(d) is not of a kind the enforcement of which is contrary to the public policy in the BVI;

(e) is not contrary to the principles of natural justice;

(f) provided that the New York state or United States federal court sitting in the Borough of Manhattan in The City of New York had jurisdiction in the matter and the Issuer either submitted to such jurisdiction or was resident or carrying on business within such jurisdiction and was duly served with process; and

(g) had not been wholly satisfied.

The Company has been advised by its PRC legal advisors, Gaopeng & Partners, Nanjing Office, that there is uncertainty as to whether the PRC courts would (i) enforce judgments of U.S. courts obtained against the Company, its directors or officers, the Issuer or its directors or officers predicated upon the civil liability provisions of the U.S. federal or state securities laws, or (ii) entertain original actions brought in China against the Company, its directors or officers, the Issuer or its directors or officers predicated upon the U.S. federal or state securities laws.

PRESENTATION OF FINANCIAL INFORMATION

The consolidated financial information of the Group as of and for the years ended December 31, 2015 and 2016 has been extracted from the Group's audited consolidated financial statements as of and for the year ended December 31, 2016 (the "Group's 2016 Annual Financial Statements"). The consolidated financial information of the Group as of and for the year ended December 31, 2014, which has been extracted from the Group's audited consolidated financial statements as of and for the year ended December 31, 2015 (the "Group's 2015 Annual Financial Statements," together with the Group's 2016 Annual Financial Statements, the "Group's Annual Financial Statements"). The Group's Annual Financial Statements were prepared and presented in accordance with the Accounting Standards for Business Enterprises ("ASBE") issued by the Ministry of Finance of the PRC (the "MOF"), Application Guidance and Interpretations of ASBE and other relevant regulations issued thereafter and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Provisions on Financial Reporting (revised 2010) issued by the China Securities Regulatory Commission (collectively, "PRC GAAP") and have been audited by Jiangsu Suya Jincheng Certified Public Accountants LLP (江蘇蘇亞金誠會計師事務所(特殊普通合夥)), its independent auditor.

PRC GAAP differs in certain respects from International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. See "Summary of Certain Differences between PRC GAAP and IFRS."

The Group's consolidated financial information as of and for the six months ended June 30, 2016 and 2017 have been derived from their respective management accounts as of and for the six months ended June, 30, 2016 and 2017, which have not been audited or reviewed by Jiangsu Suya Jincheng Certified Public Accountants LLP, or any other person. As such, the Group's consolidated financial information as of and for the six months ended June 30, 2016 and 2017 should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or review. Potential investors must exercise caution when using such data to evaluate the financial condition and results of operations of the Group. Such interim consolidated financial information should not be taken as an indication of the expected financial condition and results of operations of the Group for the full financial year ending December 31, 2017.

The consolidated financial statements of the Group have only been prepared in Chinese and an English translation of which has been prepared and reproduced in this offering memorandum for reference only. Should there be any inconsistency between the consolidated financial statements of the Group in Chinese and the English translation of such financial statements, the consolidated financial statements of the Group in Chinese shall prevail. The English translation of the consolidated financial statements of the Group does not itself constitute audited financial statements, and is qualified in its entirety by, and is subject to the more detailed information and the financial information set out or referred to in, the consolidated financial statements of the Group in Chinese. Neither the Initial Purchasers nor their respective affiliates, directors and advisers has independently verified or checked the accuracy of the English translation of the consolidated financial statements of the Group and can give no assurance that the information contained in such English translation is accurate or complete.

GLOSSARY OF TECHNICAL TERMS

The following are definitions of certain terms in this offering memorandum that are commonly used in connection with the Group's business. The terms and their meanings may not correspond to standard industry meanings or usages of those terms.

"affordable housing projects"	government-sponsored projects aimed towards alleviating housing costs and expenses for people with low to moderate incomes
"BT"	build-transfer, a project model under which an enterprise undertakes the financing of construction expenditures and transfers the project back to the contracted government authority upon completion of construction and inspection for acceptance. Under the BT model, a concession is granted when an enterprise enters into an agreement with government entities to obtain the exclusive right to carry out investment in a public infrastructure or construction project for a given period, and the contracted government authority compensates such enterprise for the relevant construction expenditures and financing costs in installments over a deferred payment period which generally last for two to five years upon completion of the project
"BOT"	build-operate-transfer
"cement"	a substance used in construction that sets and hardens and can bind other materials together
"concrete"	a composite material composed mainly of water, construction aggregate, and cement
"contract value"	final negotiated or proposed price of a contract before tax
"EPC"	engineering, procurement and construction
"ISO9001:2008"	quality management standards published by the International Organization for Standardization
"ISO14001:2004"	environmental management standards published by the International Organization for Standardization
"m^2" or "sq.m."	square meters
"output value"	the gross value of construction works performed by construction companies on their own and is calculated by reference to the project progress
"PPP"	public-private partnership, a partner relationship based on a concession agreement and formed between the government and private organizations for co-construction of infrastructure projects or providing certain public goods and services
"R&D"	research and development

SUMMARY

This summary does not contain all the information that may be important to you in deciding to invest in the Notes. You should read the entire offering memorandum, including "Risk Factors," "Description of the Notes," and the Group's consolidated financial statements and the related notes, before making an investment decision.

Overview

The Company is a leading private construction company in China, which focuses on building and highway construction projects. The Company has been listed as one of the "Top 250 Global Contractors" by Engineering News Record (the "ENR") for 11 times and was ranked 35th in 2017 in terms of overall business performance as measured by many parameters such as operating income, total profits and value of newly-signed contracts. Moreover, the Company was ranked 10th among the "2014 Top 100 Enterprises of China Construction Industry by Competitiveness" (2014年度中國建築業競爭力百强企業) by China Construction Industry Association (中國建築業協會). The Company has been listed as one of the "Top 500 Enterprises in China" (中國企業500强) for 13 consecutive years since 2005 by China Enterprise Confederation (中國企業聯合會) and as one of the "Top 80 Contractors in China" (中國承包商80强) (formerly known as "Top 60 Contractors in China" (中國承包商60强)) for 12 consecutive years since 2005 jointly by the ENR and China's Construction Times (建築時報).

The Company traces its operating history back to the establishment of its predecessor in 1958, Haimen County Construction Engineering Company (海門縣建築工程公司), which was one of the first construction companies in Jiangsu Province. With nearly 60 years' experience in the construction industry, the Company together with its subsidiaries have built a proven track record of success and have engaged in the construction of a large number of landmark projects in China and overseas. Many projects undertaken by the Group have received strong market recognition and prestigious awards in China for their construction quality, safety and innovative construction techniques, such as the Lu Ban Award for China Construction Engineering (中國建築工程魯班獎), the most prestigious award given by the Ministry of Housing and Urban-Rural Development of the PRC (the "MOHURD") for construction quality excellence, and the National High Quality Project Award (國家優質工程獎), which is the highest honor for construction quality awarded by the National Engineering Construction Quality Award Evaluation Committee (國家工程建設質量獎評審委員會) in China.

The Group currently holds a number of top-grade construction contractor qualifications as general and professional contractors in China, which include:

- one premium class housing construction EPC qualification (房屋建築工程施工總承包特級資質), which is the highest-level qualification awarded to building construction general contractors that satisfy the most stringent standards in relation to overall credit, landmark projects, experience and other qualification of the management team and technicians, technological innovation and scale of operations;
- two first-class EPC qualifications in relation to municipal and public facilities construction and highway construction;
- one second-class EPC qualification in relation to mechanical and electric installation;
- seven first-class professional contracting qualifications relating to building and highway construction; and
- a Grade A qualification for the construction of turn-key foreign technical assistance projects.

The Group believes that such top-grade qualifications have enabled it to provide comprehensive and fully-integrated construction solutions to respond to its customers' demand for general and specialized construction contracting, project design and engineering, and survey and consultancy services. The Group also has the qualifications to undertake the construction of turn-key foreign technical assistance projects and to conduct the operation of foreign labor services collaboration. These qualifications equip the Group with the capabilities to undertake overseas construction projects, which provide the Group with opportunities to increase its brand awareness in the international construction market.

The Group has been devoted to innovation and upgrade of construction technologies. As of June 30, 2017, the Group had developed a total of 21 state-level and provincial-level engineering methods. As of the same date, the Group owned 86 patents, including 19 inventions, some of which had been in application. The Group believes that its advanced technologies and research and development capabilities have given it a competitive edge which helped to increase the opportunity to win project biddings.

The Group has undertaken construction projects in 28 provinces, municipalities and autonomous regions in China, covering more than 120 cities as of the date of this offering memorandum. Additionally, the Group has expanded its business in the overseas market to more than 30 countries worldwide as of the same date. In 2014, 2015 and 2016 and the six months ended June 30, 2017, the Group completed 463 building construction projects and 17 highway construction projects in total. As of June 30, 2017, the Group had 346 building construction projects and seven highway construction projects under construction.

For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, the Group's total operating income was RMB18,788 million, RMB18,745 million, RMB20,278 million (US$2,921 million), RMB8,354 million and RMB8,494 million (US$1,223 million), respectively. During the same periods, the Group's net profit was RMB658 million, RMB740 million, RMB741 million (US$107 million), RMB134 million and RMB318 million (US$46 million), respectively. As of June 30, 2017, the Group's total assets was RMB25,769 million (US$3,712 million).

Competitive Strengths

The Company believes that its business success is largely attributable to its competitive strengths set forth below:

- A highly-recognized market-leader with a proven track record focusing on building and highway construction projects in China
- Strong R&D capability and commitment to innovation
- Recognized execution capability to consistently deliver high quality projects
- Strict risk control measures and centralized management system
- Access to diverse financing channels supported by prudent risk management
- Experienced and professional senior management team

Business Strategies

The Company is committed to strengthening its market position in China and aims to develop itself into a world leading construction contractor through the following strategies:

- To further enhance its leading position and increase its market share in domestic building construction industry
- To further expand its business in the overseas market
- To adhere to its commitment to whole-industrial-chain operation strategy
- To enhance its R&D capability and capitalize on technological innovation
- To build stronger brand image and increased brand awareness

Recent Development

Since July 1, 2017 and up to the date of this offering memorandum, the Company has in aggregate entered into 46 newly-signed building construction contracts and one highway construction contract.

In September 2017, the Company increased its registered capital to RMB1,242 million (US$179 million) by converting the increase in its capital reserves, attributable to the premium it received from issuance of shares, to its share capital.

General Information

The Company was incorporated as a limited liability company under the name "Jiangsu Nantong Sanjian Construction Group Company Limited (江蘇南通三建集團有限公司)" in China in 2001. On April 6, 2016, the Company was transformed into a joint stock limited liability company and changed its name into "Jiangsu Nantong Sanjian Construction Group Co., Ltd. (江蘇南通三建集團股份有限公司)". The Company's shares were listed for trading on the NEEQ on July 27, 2016. The Company's registered office is located at 131 Shishanlu, Haimen City, Jiangsu Province, China. The Company's website is http://www.ntsj.js.cn. Information contained on its website does not constitute part of this offering memorandum.

The Issuer was incorporated as a BVI business company with limited liability under the BVI Business Companies Act, 2004 (as amended) in the BVI on October 24, 2016. Its BVI company number is 1926658 and its registered office is located at OMC Chambers, Wickham Cay 1, Road Town, Tortola, BVI. The Issuer is directly and wholly-owned by Jiangsu Nantong Sanjian Construction Group (Hong Kong) Co., Ltd., which is a Hong Kong incorporated limited liability company, directly and wholly-owned by the Company. The Issuer's primary purpose is to act as one of the Company's financing subsidiaries to issue the Notes. The Issuer has, and will have, no material assets apart from advances made to affiliated companies through intercompany loans. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought. The Issuer has no subsidiaries.

THE OFFERING

The following summary is provided solely for your convenience. This summary is not intended to be complete and it is subject to important limitations and exceptions. You should read the full text and more specific details contained elsewhere in this offering memorandum. For a more detailed description of the Notes, the Parent Guarantee, the Subsidiary Guarantees and JV Subsidiary Guarantees (if any), see "Description of the Notes." The information contained in "Description of the Notes" shall prevail to the extent of any inconsistency with the information set forth in this section. Terms used in this summary and not otherwise defined shall have the meanings given to them in "Description of the Notes."

Issuer	Jiangsu Nantong Sanjian International Co., Ltd. 江蘇南通三建國際有限公司.
Parent Guarantor	Jiangsu Nantong Sanjian Construction Group Co., Ltd.（江蘇南通三建集團股份有限公司）
Notes Offered	US$300,000,000 aggregate principal amount of 7.80% Senior Guaranteed Notes due 2020.
Issue Price.	100% of the principal amount of the Notes.
Issue Date	October 26, 2017.
Maturity Date	October 26, 2020.
Interest	The Notes will bear interest at the rate of 7.80% per annum, payable semi-annually in arrears.
Interest Payment Dates. .	April 26 and October 26, commencing April 26, 2018.
Ranking	The Notes will be:

- general obligations of the Issuer;
- senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with all other unsecured and unsubordinated Indebtedness of the Issuer (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Parent Guarantor and the Subsidiary Guarantors, if any, on a senior basis, subject to the limitations described below under the captions "*– The Parent Guarantee*," "*– The Subsidiary Guarantees and the JV Subsidiary Guarantees*" and in "*Risk Factors – Risks Relating to the Notes and the Guarantees – The Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Guarantees*";

- effectively subordinated to the secured obligations (if any) of the Issuer, the Parent Guarantor, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor; and

- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

Parent Guarantee. . . . . The Parent Guarantor will guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes.

The Parent Guarantee will be:

- a general obligation of the Parent Guarantor;

- senior in right of payment to all future obligations of the Parent Guarantor expressly subordinated in right of payment to the Parent Guarantee;

- at least *pari passu* in right of payment with all other unsecured and unsubordinated Indebtedness of the Parent Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law);

- effectively subordinated to the secured obligations (if any) of the Parent Guarantor, to the extent of the value of the assets serving as security therefor; and

- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries and any Unrestricted Subsidiaries.

Subsidiary Guarantees . . Each of the Subsidiary Guarantors and JV Subsidiary Guarantors, if any in the future, will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. There will be no initial Subsidiary Guarantors on the Original Issue Date.

None of the existing or future PRC Restricted Subsidiaries will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee on the Original Issue Date or at any time in the future. The Parent Guarantor will cause each of its future Restricted Subsidiaries (other than the PRC Restricted Subsidiaries, any Exempted Subsidiaries, any Finance Subsidiary or any Listed Subsidiaries), as soon as practicable and in any event within 30 days after becoming a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing sentence, the Parent Guarantor may elect to have (w) any existing or future Restricted Subsidiary organized outside the PRC, or (x) as soon as practicable after an Exempted Subsidiary ceases to be an Exempted Subsidiary, such Exempted Subsidiary, or (y) as soon as practicable after a Finance Subsidiary ceases be to a Finance Subsidiary, such Finance Subsidiary, or (z) as soon as practicable after a Listed Subsidiary ceases to be a Listed Subsidiary, such Listed Subsidiary, not to provide a Subsidiary Guarantee, provided that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (other than the Issuer, Exempted Subsidiaries, Finance Subsidiaries and the Listed Subsidiaries) do not account for more than 15% of the Total Assets of the Parent Guarantor.

In addition, if, at any time, the Consolidated Assets of all Non-Guarantor Subsidiaries (excluding any PRC Restricted Subsidiary, Exempted Subsidiary, Finance Subsidiary and Listed Subsidiary) exceed 15% of the Total Assets, the Parent Guarantor must promptly (i) remove the designation of one or more Non-Guarantor Subsidiaries (other than any PRC Restricted Subsidiary, Exempted Subsidiary, Finance Subsidiary and any Listed Subsidiary) and cause such Non-Guarantor Subsidiaries to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Non-Guarantor Subsidiaries will guarantee the payment of the Notes with a Subsidiary Guarantee or a JV Subsidiary Guarantee, (ii) designate one or more Non-Guarantor Subsidiaries as Unrestricted Subsidiaries and/or (iii) cause one or more Non-Guarantor Subsidiaries to pay dividends or make distributions on or with respect to their respective Capital Stock *pro rata* to their respective shareholders or on a basis more favorable to the Parent Guarantor, in the case of each of (i), (ii) and (iii) above, in accordance with the terms of the Indenture and such that the 15% limitation is complied.

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;

- ranks at least *pari passu* in right of payment with all other unsecured and unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law);

- is effectively subordinated to the secured obligations of such Subsidiary Guarantor, to the extent of the assets serving as security therefor; and

- is effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries and any Unrestricted Subsidiaries.

JV Subsidiary Guarantees

In the case of a Restricted Subsidiary (other than any PRC Restricted Subsidiary, any Exempted Subsidiary, any Finance Subsidiary or any Listed Subsidiary) (i) that is, or is proposed by the Parent Guarantor or any of its Restricted Subsidiaries to be, established or acquired after the Original Issue Date, (ii) that is incorporated in any jurisdiction other than the PRC and (iii) in respect of which the Parent Guarantor or any of its Restricted Subsidiaries (x) is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% and no more than 49.9% of the Capital Stock of such Restricted Subsidiary to, or (y) is proposing to purchase no less than 50.1% and no more than 80% of the Capital Stock of, an Independent Third Party and designates such entity as a Restricted Subsidiary, the Parent Guarantor may, concurrently with the consummation of such sale or purchase, cause the provision of a JV Subsidiary Guarantee instead of a Subsidiary Guarantee for (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries (other than any PRC Restricted Subsidiary, any Exempted Subsidiary, any Finance Subsidiary or any Listed Subsidiary) of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC.

No JV Subsidiary Guarantee exists as of the Original Issue Date.

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor will be :

- a general obligation of such JV Subsidiary Guarantor;

- enforceable only up to the JV Entitlement Amount;

- effectively subordinated to the secured obligations (if any) of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;

- limited to the JV Entitlement Amount, and will be senior in right of payment to all existing and future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee; and

- limited to the JV Entitlement Amount, and will rank at least *pari passu* in right of payment with all other unsecured and unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law).

Use of Proceeds	General corporate purposes and refinancing of existing indebtedness.
Optional Redemption . . .	At any time prior to October 26, 2020, the Issuer may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but excluding) the redemption date. At any time and from time to time prior to October 26, 2020, the Issuer may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of the Common Stock of the Parent Guarantor in an Equity Offering at a redemption price of 107.80% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.
Change of Control	Not later than 30 days following a Change of Control Triggering Event, the Issuer or the Parent Guarantor will make an Offer to Purchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date. See "Description of the Notes – Repurchase of Notes Upon a Change of Control Triggering Event."
Redemption for Taxation Reasons	The Issuer may redeem all, but not less than all, of the Notes at a redemption price equal to 100% of the principal amount of the Notes outstanding plus accrued and unpaid interest, if any, to (but excluding) the redemption date upon the occurrence of certain changes in applicable tax law. See "*Description of the Notes – Redemption for Taxation Reasons*."
Repurchase of Notes Upon a SAFE Noncompliance Event .	Upon completion of registration by the Parent Guarantee with the Haimen branch of the SAFE, the Parent Guarantor will be required to deliver to the Trustee an Officers' Certificate in a form set forth in the Indenture attaching a copy of the relevant certificate of registration from the Haimen branch of the SAFE and certifying that such copy is true and correct. If, on the date that is 90 Registration Business Days after the Original Issue Date, the SAFE Completion Event shall not have occurred, the Issuer will be required under the Indenture to make an Offer to repurchase all of the Notes at a price in cash equal to 100% of the principal amount of the Notes offered for repurchase, plus accrued and unpaid interest, if any, on the principal amount of the Notes being repurchased to but excluding the date of repurchase. See "*Description of the Notes – Repurchase of Notes Upon a SAFE Noncompliance Event.*"
Certain Covenants	The Indenture governing the Notes will limit the ability of the Parent Guarantor and its Restricted Subsidiaries to, among other things: • incur or guarantee additional debt and issue disqualified or preferred stock;

	• declare dividends on their respective capital stock or purchase or redeem capital stock; • make investments or other specified restricted payments; • issue or sell capital stock of Restricted Subsidiaries; • guarantee indebtedness of Restricted Subsidiaries; • sell assets; • create liens; • enter into sale and leaseback transactions; • enter into agreements that restrict the ability of Restricted Subsidiaries to pay dividends, transfer assets or make intercompany loans; • enter into transactions with shareholders or affiliates; and • effect a consolidation or merger. These covenants are subject to a number of important qualifications and exceptions described in "Description of the Notes – Certain Covenants."
Transfer Restrictions . . .	The Notes will not be registered under the Securities Act or any state securities laws of the United States and will be subject to restrictions on transfer and resale. See "Transfer Restrictions."
Form, Denomination and Registration	The Notes will be issued only in fully registered form, without coupons, in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof and will be initially represented by a global note registered in the name of a common depositary (or its nominee) for Euroclear and Clearstream.
Book-entry Only	The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of their participants. For a description of certain factors relating to clearance and settlement, see "Description of the Notes – Book-Entry; Delivery and Form."
Delivery of Notes	The Issuer expects to deliver the Notes, against payment in same-day funds, on or about October 26, 2017, which the Issuer expects will be the fifth business day following the date of this offering memorandum, referred to as "T+5."
Trustee	Citicorp International Limited.
Paying Agent and Transfer Agent	Citibank, N. A., London Branch.
Registrar	Citibank, N. A., London Branch.

Ratings	The Notes are expected to be rated "B2" by Moody's. In addition, the Parent Guarantor is rated "B2" by Moody's. These ratings do not constitute a recommendation to buy, sell or hold the Notes and are subject to suspension, reduction or withdrawal at any time by Moody's. See "Ratings."
Listing	Application has been made for the listing and quotation of the Notes on the Official List of the SGX. The Notes will trade on the SGX in a minimum board lot size of US$200,000 for so long as they are listed on the SGX and the rules of the SGX so require.
Governing Law	The Notes and the Indenture will be governed by and construed in accordance with the laws of the State of New York.
Security Codes.	ISIN: XS1701582881; Common Code: 170158288
Risk Factors	Please see the "Risk Factors" section for a description of risks you should carefully consider before investing in the Notes.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables present the Group's summary consolidated financial and other data. The summary consolidated financial information of the Group as of and for the years ended December 31, 2015 and 2016 has been extracted from the Group's 2016 Annual Financial Statements and the summary consolidated financial information of the Group as of and for the year ended December 31, 2014 has been extracted from the Group's 2015 Annual Financial Statements. The Group's Annual Financial Statements have been prepared and presented in accordance with PRC GAAP and have been audited by Jiangsu Suya Jincheng Certified Public Accountants LLP. PRC GAAP differs in certain respects from IFRS.

The Group's consolidated financial information as of and for the six months ended June 30, 2016 and 2017 have been derived from their respective management accounts as of and for the six months ended June, 30, 2016 and 2017, which have not been audited or reviewed by Jiangsu Suya Jincheng Certified Public Accountants LLP, or any other person. As such, the Group's consolidated financial information as of and for the six months ended June 30, 2016 and 2017 should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or review. Potential investors must exercise caution when using such data to evaluate the financial condition and results of operations of the Group. Such interim consolidated financial information should not be taken as an indication of the expected financial condition and results of operations of the Group for the full financial year ending December 31, 2017.

You should read the summary consolidated financial statements set forth below in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Group's Annual Financial Statements, including the accompanying notes, included elsewhere in this offering memorandum.

Summary Consolidated Income Statements Data

	For the year ended December 31,				For the six months ended June 30,		
	2014	2015	2016	2016	2016	2017	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)	(RMB'000) (unaudited)	(RMB'000) (unaudited)	(US$'000) (unaudited)
Total operating income	**18,788,059**	**18,744,607**	**20,277,876**	**2,920,622**	**8,353,660**	**8,493,522**	**1,223,322**
Total operating cost							
Including: Operating cost	16,690,682	16,656,759	18,077,717	2,603,733	7,496,996	7,575,807	1,091,143
Business taxes & surcharges	614,190	638,231	232,045	33,421	156,454	28,950	4,170
Selling and distribution expenses	11,071	10,968	10,248	1,476	5,820	9,059	1,305
General and administrative expenses	299,699	275,314	526,058	75,768	406,949	123,631	17,807
Financial expenses	226,533	208,503	200,886	28,934	87,714	203,227	29,271
Impairment losses	101,788	(65,813)	188,383	27,133	(18,815)	127,795	18,406
Add: Gains from changes in fair value (or less: losses)	332	(468)	–	–	–	–	–
Investment income (or less: losses)	30,797	16,405	51,675	7,443	54,557	4,146	597
Operating profit	**875,225**	**1,036,583**	**1,094,214**	**157,600**	**273,099**	**429,200**	**61,818**
Add: Non-operating income	19,818	4,513	5,054	728	261	1,171	169
Less: Non-operating expenses	5,502	5,042	4,776	688	2,508	159	23
Profit before taxation	**889,541**	**1,036,055**	**1,094,491**	**157,639**	**270,853**	**430,213**	**61,964**
Less: Income tax expenses	231,258	295,963	353,713	50,945	136,481	111,723	16,092
Net Profit	**658,283**	**740,092**	**740,778**	**106,694**	**134,372**	**318,489**	**45,872**
Net profit attributable to owners of parent company	656,555	736,641	703,136	101,273	127,544	328,821	47,360
Non-controlling interest	1,728	3,451	37,642	5,422	6,827	(10,332)	(1,488)
Net of tax from other comprehensive income	–	–	11,250	1,620	11,250	(2,250)	(324)
Total comprehensive income	658,283	740,092	752,028	108,315	145,622	316,240	45,548
Total comprehensive income attributable to owners of the parent company	656,555	736,641	714,386	102,893	138,794	326,572	47,036
Total comprehensive income attributable to minority shareholders	1,728	3,451	37,642	5,422	6,827	(10,332)	(1,488)

Other Financial Data

	As of/For the year ended December 31,				As of/For the six months ended June 30,		
	2014	2015	2016	2016	2016	2017	2017
	(RMB'000) (unaudited)	(RMB'000) (unaudited)	(RMB'000) (unaudited)	(US$'000) (unaudited)	(RMB'000) (unaudited)	(RMB'000) (unaudited)	(US$'000) (unaudited)
EBITDA[(1)]	1,919,290	1,867,630	1,746,580	251,560	510,450	842,020	121,276
EBITDA margin[(2)](%)	10.2	10.0	8.6	8.6	6.1	9.9	9.9
Total borrowings [(3)]/Total assets (%)	27.1	24.5	31.0	31.0	31.0	36.6	36.6
Current ratio (x)[(4)]	1.64	1.59	1.68	1.68	1.68	1.89	1.89
EBITDA/Financial expense (x)	10.79	10.83	5.18	5.18	3.31	3.42	3.42

Notes:

(1) EBITDA represents total operating income minus operating cost, selling and distribution expenses and general and administrative expenses, plus depreciation and amortization expenses.

EBITDA is not a standard measure under PRC GAAP. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of the Group's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA the Group believes that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. The Group has included EBITDA because the Group believes it is a useful supplement to cash flow data as a measure of the Group's performance and the Group's ability to generate cash flow from operations to service its debt and tax obligations. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies and the components of the Group's EBITDA may not be comparable to similarly named components presented by other companies whose financial statements were prepared under generally accepted accounting principles other than PRC GAAP. Investors should not compare the Group's EBITDA or components of the Group's EBITDA to EBITDA or components of EBITDA presented by other companies. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture. See "Description of the Notes – Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture.

(2) EBITDA margin is calculated as EBITDA divided by total operating income and multiplied by 100%.

(3) Total borrowings are equal to the sum of short-term borrowings and long-term borrowings. See "Capitalization and Indebtedness."

(4) Current ratio is calculated as total current assets divided by total current liabilities.

Summary Consolidated Statements of Financial Position Data

	As of December 31,				As of June 30,	
	2014	2015	2016	2016	2017	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)	(RMB'000) (unaudited)	(US$'000) (unaudited)
Current assets						
Cash and cash equivalents	2,305,474	2,417,131	2,918,861	420,403	3,409,569	491,080
Financial assets at fair value through profit or loss	1,369	901	–	–	–	–
Notes receivable	186,242	448,722	134,856	19,423	193,508	27,871
Accounts receivable	2,956,048	2,819,379	3,333,994	480,195	3,630,924	522,962
Prepayment	334,559	333,133	407,132	58,639	312,608	45,025
Interests receivable	467	5,084	1,209	174	796	115
Dividend receivable	–	–	–	–	–	–
Other receivables	2,715,385	3,201,720	6,128,855	882,739	6,147,300	885,395
Inventories	2,892,205	7,181,602	8,101,219	1,166,818	9,836,286	1,416,720
Non-current assets maturing within one year	–	–	–	–	–	–
Other current assets	345,500	103,508	100,102	14,418	111,902	16,117
Total current assets	**11,737,248**	**16,511,182**	**21,126,227**	**3,042,810**	**23,642,895**	**3,405,285**
Non-current assets						
Loans and payment on behalf	–	210,873	–	–	–	–
Available-for-sale financial assets	120,703	130,109	200,175	28,831	177,475	25,562
Long-term receivables	398,327	329,676	460,430	66,316	374,652	53,961
Long-term equity investments	46,868	49,145	2,440	351	2,122	306
Investment properties	–	9,913	69,792	10,052	67,969	9,790
Fixed assets	412,779	342,858	346,616	49,923	323,059	46,530
Construction in progress	8	–	–	–	–	–
Intangible assets	40,247	24,897	2,653	382	2,977	429
Development expenditures	–	–	2,860	412	3,456	498
Goodwill	162,430	173,282	269,671	38,841	269,671	38,841
Long-term deferred expenses	5,745	36,093	44,531	6,414	39,832	5,737
Deferred tax assets	121,467	101,870	150,163	21,628	187,137	26,953
Other non-current assets	112,268	223,081	403,864	58,169	677,634	97,600
Total non-current assets	**1,420,841**	**1,631,797**	**1,953,195**	**281,319**	**2,125,982**	**306,205**
Total assets	**13,158,089**	**18,142,979**	**23,079,422**	**3,324,128**	**25,768,877**	**3,711,490**
Current liabilities						
Short-term loans	2,557,000	2,567,990	3,293,300	474,334	3,601,800	518,767
Notes payable	2,250,380	2,088,730	1,713,557	246,804	1,763,198	253,953
Accounts payable	716,849	1,649,442	2,576,665	371,117	3,001,266	432,272
Advances from customers	15,486	306,540	386,499	55,667	412,368	59,393
Employee benefits payable	538,151	852,134	996,136	143,473	684,224	98,549
Taxes and surcharges payable	359,334	760,999	476,634	68,650	525,573	75,698
Interest payable	8,686	20,542	40,929	5,895	107,257	15,448
Dividends payable	14,751	22,151	33,318	4,799	25,317	3,646
Other payables	655,251	2,078,591	2,165,759	311,934	1,826,602	263,085
Non-current liabilities maturing within one year	44,337	46,641	687,643	99,041	399,166	57,492
Other current liabilities	–	–	175,551	25,285	132,501	19,084
Total current liabilities	**7,160,223**	**10,393,760**	**12,545,992**	**1,806,999**	**12,479,274**	**1,797,389**

	As of December 31,				As of June 30,	
	2014	2015	2016	2016	2017	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)	(RMB'000) (unaudited)	(US$'000) (unaudited)
Non-current liabilities						
Long-term loans	763,581	975,556	1,389,126	200,076	2,937,233	423,050
Bonds payable	198,267	794,040	1,758,225	253,237	2,477,026	356,766
Long-term payables	–	52,288	30,767	4,431	19,499	2,808
Deferred tax liabilities	22,622	21,618	27,616	3,978	24,594	3,542
Other non-current liabilities	*	*	–	–	–	–
Total non-current liabilities	**984,510**	**1,843,502**	**3,205,733**	**461,722**	**5,458,352**	**786,166**
Total liabilities	**8,144,734**	**12,237,261**	**15,751,725**	**2,268,720**	**17,937,625**	**2,583,555**
Shareholders' equity						
Share capital	501,280	501,280	596,205	85,871	621,218	89,474
Capital reserves	278	4,586,650	5,480,436	789,347	5,818,363	838,019
Other comprehensive income	–	–	11,250	1,620	9,000	1,296
Special reserves	80,793	95,557	26,814	3,862	22,324	3,215
Surplus reserves	331,105	–	74,517	10,733	74,517	10,733
General risk reserve	–	856	–	–	–	–
Undistributed profits	3,701,655	139,113	768,589	110,700	892,408	128,534
Total equity attributable to owners of parent company	4,615,112	5,323,457	6,957,810	1,002,133	7,437,830	1,071,270
Non-controlling interests	398,244	582,261	369,887	53,275	393,422	56,665
Total shareholders' equity	**5,013,355**	**5,905,718**	**7,327,697**	**1,055,408**	**7,831,252**	**1,127,935**
Total liabilities & shareholders' equity	**13,158,089**	**18,142,979**	**23,079,422**	**3,324,128**	**25,768,877**	**3,711,490**

Note:

* This amount is less than RMB1,000.

Summary Consolidated Cash Flow Statements Data

	For the year ended December 31,				For the six months ended June 30,		
	2014	2015	2016	2016	2016	2017	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)	(RMB'000) (unaudited)	(RMB'000) (unaudited)	(US$'000) (unaudited)
Net cash flows from/(used in) operating activities	(431,938)	(217,079)	65,856	9,485	30,985	437,450	63,006
Net cash flows (used in) investing activities	(172,078)	(378,618)	(3,036,923)	(437,408)	(308,481)	(2,366,947)	340,911
Net cash flows from financing activities	744,264	765,616	3,499,160	503,984	483,393	2,326,949	335,150
Effect of fluctuation in exchange rate on cash and cash equivalents	49	(933)	262	38	–	–	–
Net increase in cash and cash equivalents	140,297	168,985	478,354	68,897	205,897	397,452	57,245
Closing balance of cash and cash equivalents	981,739	1,150,725	1,629,078	234,636	1,356,622	2,026,531	291,881

RISK FACTORS

You should carefully consider the risks and uncertainties described below and other information contained in this offering memorandum before making an investment decision in relation to the Notes and the Parent Guarantee. The risks and uncertainties described below may not be the only ones that exist. Additional risks and uncertainties that the Group is not aware of or that it currently believes are immaterial may also materially and adversely affect its business, prospects, financial condition and results of operations. If any of the possible events described below occur, the Group's business, prospects, financial condition or results of operations could be materially and adversely affected and the market price of the Notes may decline. In such case, the Group may not be able to satisfy its obligations under the Notes, and you could lose all or part of your investment.

Risks Relating to The Group's Business and Construction Industry

A deterioration in the real estate industry and the construction industry in China and adverse changes in national or local policies relating to these industries may adversely affect the demand for the Group's services.

The Group primarily engages in the construction of building and highway construction projects in China. Demand for the Group's services is heavily affected by the performance of the real estate industry and the construction industry in China. The real estate industry and the construction industry in China are cyclical in nature, directly correlate with the macroeconomic environment, fixed asset investment levels and degree of urbanization in China and are sensitive to economic fluctuations and market uncertainty, and are vulnerable to tightening regulation by the PRC government. Future changes in the macroeconomic environment, fixed asset investment levels and degree of urbanization in China are affected by many factors beyond the Group's foreseeability or control. In recent years, China's economic growth is slowing down and it is difficult for the Group to predict how this slowdown will affect the performance of various industries in China, including the real estate and construction industries, as well as the business performance of the companies operating in those industries. Moreover, demand for the Group's services in Jiangsu Province, Shandong Province and Shanghai, among other provinces and cities in China, may decrease if the local economy experiences a significant downturn or if the local government significantly reduces spending on public works construction. The Group's ongoing projects, in which it has invested significant resources and capital, may be put on hold or suspended if economic conditions deteriorate, and it may be unable to collect payments and recover its costs. See "Risks Relating to the PRC — China has experienced a slowdown in its economic development and the future performance of China's economy is uncertain."

The Group's business is susceptible to adverse changes in national or local policies relating to the PRC real estate industry and construction industry, including those that control the supply of land for property development, project financing and taxation. In recent years, the PRC government implemented a large number of regulations and policies to cool the real estate market and the inflation of property prices, such as limitation on the purchase of property outside the province of registered residence, restrictions on real estate loans and higher interest rates for second-hand property transactions, among others. More recently, due to a significant increase in property prices starting in early 2016, PRC government has implemented measures to suppress the level of increase in property prices, such as tightening mortgage restrictions on second home purchases, in many cities in China, including Shanghai where the Group has substantial operations. The Group believes that these policies will have the effect of controlling and discouraging the investments in and development of real estate projects, and will in turn decrease the number of construction projects. There can be no assurance that the PRC government will not adopt additional industry-related policies or actions that tighten the control of the real estate industry in China in the future. The release of any such policies or implementation of any such actions may have a material and adverse effect on the Group's business, financial condition and results of operations.

The Group faces intense competition in its industry, and failure to compete effectively may have a material adverse impact to its business and prospects.

The PRC construction industry is fragmented and competitive. As such, the Group faces intense competition mainly from a significant number of domestic construction companies in China, particularly in Shandong Province, Jiangsu Province and Shanghai. Many of the Group's competitors have stronger capital resources, larger customer bases, stronger customer relationships, stronger brand or name recognition, greater financial, technical, marketing and public relations resources and a wider range of services and solutions than the Group does. Other smaller construction companies may be better positioned to adapt to market trends than the Group is. Alliances or mergers among the Group's competitors or with new entrants into the construction industry may present additional challenges. This may make it more difficult for the Group to compete successfully with differentiated offerings across the whole market against more specialized competitors.

The Group's competitiveness depends on its record of timely project delivery, efficient performance, quality of its construction projects as well as its innovations and techniques. Competitive pressure may require it to reduce its prices or increase its costs and may adversely affect its profit margins. There is no assurance that the Group's efforts in achieving competitive advantage in any of the foregoing factors may not be successful. The Group's failure to compete effectively could materially and adversely affect its business, prospects, financial condition and results of operations.

The Group needs to comply with a significant number of laws and regulations in the countries and regions where it operates, especially in China.

A substantial majority of the construction projects the Group undertakes are located in China. The Group from time to time is engaged to undertake construction projects in other countries. Therefore, the Group needs to comply with extensive laws and regulations governing its business and industries in such jurisdictions where the Group operates, especially in China. These include laws and regulations relating to environmental protection, management and use of hazardous substances and explosives, management of natural resources, licenses over resources owned by various governments, labor and occupational health and safety standards, bribery and corruption, taxation, antitrust, and historical and cultural preservation. See "Regulations."

The costs and resources associated with compliance with such laws and regulations are substantial. Any changes in the laws and regulations that the Group is subject to or more stringent enforcement or restrictive interpretation of current laws and regulations by governmental authorities or rulings or clearances obtained from such governmental authorities could result in (i) additional expenditure of the Group, (ii) imposition of restrictions on or suspensions of the Group's operations and (iii) delays in the development of the Group's expansion plans.

The Group is subject to extensive laws and regulations at the national and local level, which govern various aspects of its operations. Certain legal uncertainties in, and inconsistent interpretations and enforcement of, current PRC laws and regulations expose the Group to the risk of non-compliance. If the Group fails to comply with or is deemed by the regulatory authorities to have violated such laws or regulations, the Group could be subject to administrative or regulatory fines and penalties, including the suspension or revocation of its licenses, and its operations may be hindered or halted, which could have a material and adverse effect on its business, financial condition and results of operations. In addition, in case of non-compliance by the Group, these laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from the environmental, health and safety and other impacts of the Group's operations, and could lead to the imposition of substantial fines, penalties, other civil or criminal sanctions, the curtailment or cessation of operations, orders to pay compensation, orders to remedy the effects of violations and/or orders to take preventative steps against possible future violations. As the PRC legal system and construction industry continue to evolve, changes in the relevant laws and regulations or in their interpretation or enforcement may also make it difficult for it to comply with the laws and

regulations and may increase the Group's compliance expenses. See "Risks Relating to the PRC – Interpretation of the PRC laws and regulations involves uncertainty and the current legal environment in China could limit the legal protections available to the Group and to you."

Failure of the Group to obtain or renew the necessary approvals, licenses and permits for its businesses could materially and adversely affect its business, prospects, financial condition and results of operations.

The Company and a majority of its operating subsidiaries are incorporated in and carry out their business activities in China. According to the applicable PRC laws, a company is required to obtain a business license and must carry out activities within the stated business scope on such business license. Governmental approvals, licenses, registrations or filings may also be required for any expansion of the stated business scope. If in the course of the Group's expansion, the Company or any of its subsidiaries is required to expand its operation beyond the stated business scope on the respective business license, such entity may need to obtain the additional governmental approvals and licenses or amend its registration or filings. The Group may fail to obtain these permissions or register or file in a timely manner, or at all, which could subject the Group to fines and penalties and substantially inhibit the Group's ability to operate its business.

Some of the Group's subsidiaries and the companies in which the Group holds investments are required, under applicable laws and regulations, to seek additional governmental licenses, permits, authorizations, concessions and other approvals in connection with the particular type of their business activities. For example, the Group's construction business is within a highly regulated industry. The relevant operating entities within the Group are required to obtain, maintain and renew a number of licenses, certificates and permits, such as housing construction EPC qualification and municipal and public construction project EPC qualification. Obtaining the necessary governmental permits can be a particularly complex and time-consuming process and may involve costly undertakings. Further, the Group's business and construction projects are subject to regular inspections, examinations, inquiries and audits, as well as periodic and spot inspections by the relevant government authorities to maintain or renew such licenses, certificates and permits. There can be no assurance that the Group will be able to obtain, maintain or renew the requisite licenses, certificates and permits, or comply with any new licensing requirements if new laws or regulations are promulgated or existing laws or regulations are amended, which may subject it to penalties, limitations or costs as a result and, in turn, have a material and adverse effect on its business, financial condition and results of operations.

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

Many of the Group's projects require substantial capital expenditure during the construction period, and it may take several years to complete. The construction progress of the projects the Group undertakes can be adversely affected by many factors, including:

- changes in market conditions including the credit market;
- delays in obtaining necessary licenses, permits or approvals from government agencies or authorities;
- changes in government rules and regulations and the related practices and policies;
- increases in the prices of raw materials;
- shortages of materials, equipment, contractors and skilled labor;

- unforeseen engineering, design, environmental or geographic problems;
- labor disputes and strikes;
- construction accidents; and
- natural disasters or adverse weather conditions and other unforeseen problems or circumstances.

There can be no assurance that the Group will not experience any delays in delivery of its construction projects in the future. Construction delays or failure to complete the construction of a project according to its planned specifications, schedules or budgets as a result of the above factors may adversely affect the Group's business and financial condition and may also cause reputational damage or expose it to contractual liabilities.

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

The Group's business requires substantial capital resources. Maintaining the Group's competitiveness and implementing its growth strategies both require the Group to obtain sufficient funds to purchase quality raw materials, replenish its working capital and pursue strategic alliance or acquisitions. The Group finances its operations primarily through cash generated from operating activities and interest-bearing bank and other borrowings and funds raised from the capital markets such as the listing of its shares on the NEEQ and issuances of corporate bonds. The Group believes that it will continue to require substantial capital resources to support the Group's business operations and expansion. '

The Group's ability to generate sufficient operating cash flow is affected by a number of factors, such as the payment schedules agreed between the Group and its customers, the Group's ability to execute its projects in an efficient manner, timely payment of the Group's customers of contracting fees, and changes in the general market conditions and regulatory environment, and many of these factors are out of the Group's control. Any adverse change in any of these factors may create capital shortfall. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Key Factors Affecting Results of Operations and Financial Condition – Timing of collection on the Group's construction projects and retention amounts." In addition, as is consistent with industry practice, the Group is often required to commit significant resources to the projects of its customers prior to receiving the majority of the contract sum from such customers. The Group cannot assure you that its operating activities are able to generate sufficient cash to satisfy the Group's cash need at all times. An extended delay in payment from any major customer, particularly in large-scale construction projects, or failure to collect its performance guarantees or retention fees, may have a material and adverse effect on the Group's cash flow and working capital.

The Group's overseas operations may be affected by the economic and political uncertainties in the relevant overseas markets.

The Group has been expanding its operations in overseas countries and regions, including less developed areas, including Zambia, Tanzania and Algeria. In 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017, 3.4%, 3.8%, 0.9%, 1.1% and 1.0%, respectively, of the Group's total operating income was generated from its overseas operations. As of June 30, 2017, the Group had operations in over 30 overseas countries. The Group's business is therefore subject to changing international economic and political conditions, and local conditions, including certain regions where political and economic conditions are often subject to instability. The Group expects that a significant amount of its operating income and profits will continue to be derived from its overseas projects in the foreseeable future. As a result of its overseas operations, the Group is exposed to various risks associated with conducting business in foreign countries and regions that include, among other factors:

- political risks, including risks of loss due to civil unrest, acts of terrorism, acts of war, other armed conflict, regional and global political or military tensions and strained or altered foreign relations;
- abrupt changes in foreign government regulations or policies;
- expropriation and nationalization of its assets in foreign countries;
- natural disasters;
- inflation;
- currency value fluctuations and conversion restrictions;
- tax increases, confiscatory taxation or other adverse tax policies;
- governmental activities that limit or disrupt markets, restrict payments or limit the movement of funds;
- governmental activities that may result in the deprivation of contract rights;
- governmental activities that may result in the inability to obtain or retain licenses required for operations;
- competition from other international large-scale construction companies;
- adverse labor conditions; and
- lack of a well-developed or independent legal system in the foreign countries in which the Group has overseas operations, which may create difficulties in the enforcement of contractual rights.

As the Group's overseas operations are susceptible to changes in the overseas countries' respective local economic, political and regulatory environments as well as changes in global economy, a variety of factors, many of which are beyond the control of the Group, could significantly affect the profitability and growth of these operations. Any slowdown of the global economy could result in reduced infrastructure development which could in turn affect the Group's overseas operations. In addition, the Group may be required to deploy management resources and personnel to high-risk areas where its overseas projects are located. As such, the Group may incur substantial costs to implement safety and security measures to protect its personnel and assets. Such measures may not always be adequate. The Group's level of exposure to certain risks varies with respect to each project, and is dependent on the

particular work stage of each project. Any of the above factors could lead to, amongst others, project disruptions, losses of personnel and assets and other indirect losses, which could harm its international business operations, overall financial condition and profitability.

Furthermore, the Group may be subject to sanctions imposed by certain countries against transactions with other countries in which the Group conducts business, which may limit its ability to conduct such overseas operations or obtain funding. As of the date of this offering memorandum, the Group confirms that it currently does not have any business nor does it foresee or anticipate having any plans to conduct business in countries that are subject to sanctions, and will not, directly or indirectly, use the proceeds of this offering, or lend, contribute or otherwise make available such proceeds to the any affiliates, subsidiaries or the parent or other person or entity, for the purpose of financing the activities of any person, entity or country currently subject to any sanctions laws. While the Group will abide by the foregoing undertaking, it may nevertheless be subject to sanctions imposed by certain countries.

The Group cannot predict the interpretation or implementation of the government policies or sanctions law at the United States federal, state or local levels or any policy or sanctions law by any applicable jurisdiction with respect to any current or future activities of the Group in jurisdictions or with persons or entities that are the subject of sanctions. If the Group's existing business operations are determined by a government or regulatory authority to have violated any sanctions, it may be subject to investigations, legal proceedings, fines and penalties, which may divert management's attention and resources from the business of the Group, and could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's backlog may not be a reliable indicator for its future results of operations.

As of December 31, 2014, 2015 and 2016 and as of June 30, 2017, the Group's backlog, which is the total estimated value of uncompleted contracts of the Group's construction projects as of a certain date minus estimated value-added-tax, was RMB38,217 million, RMB39,125 million, RMB40,821 million (US$5,879 million) and RMB43,067 million (US$6,203 million), respectively. The figures are calculated based on the assumption that the relevant contracts will be completely performed in accordance with their terms. Any modification, termination or suspension of these contracts by the clients of the Group, especially with regard to any one or more sizeable contracts, may have a substantial and immediate effect on the Group's backlog. Project may also remain in the Group's backlog for an extended period of time beyond the initial period anticipated due to various factors beyond its control. Moreover, backlog is not a measure defined by the PRC GAAP or IFRS. Due to various reasons, including some project commencing and ending within a short period of time, not all past or anticipated revenue can be recorded in the Group's backlog. Therefore, its backlog only reflects the general volume of our future projects under uncompleted contracts and may not be indicative of future results of operations. There can be no assurance that the estimated amount of the Group's backlog will be realized in time, or at all, or even realized, and that the Group will be able to record profit. As a result, investors should not unduly rely on the Group's backlog or consider it as a reliable indicator of its future profits or results of operations.

The Group had net operating cash outflows in 2014 and 2015, and it may have difficulty meeting its payment obligations if it continues to record net operating cash outflows in the future.

The Group's construction business is capital intensive in nature. In 2014 and 2015, the Group recorded net cash outflows used in operating activities of RMB432 million and RMB217 million, respectively. The Group's net operating cash outflow in 2014 was primarily due to an increase in long-term receivables of Anhui Luwang and an increase in advance payments of steel procurement of Jiangsu Haiyu International Trade Co., Ltd., whereas its net operating cash outflow in 2015 was primarily due to loans extended by Haimen Sanjian Rural Microfinance Co., Ltd., which was a subsidiary of the Company engaging in micro-loan business. There can be no assurance that the Group will not experience operating cash outflows in the future. Moreover, the Group's operating cash flows may be

adversely affected by a number of factors beyond its control, including but not limited to, market competition, government policies and the macroeconomic environment. The Group's future liquidity, the payment of trade and bills payables, prepayments, deposits and other receivables, and repayment of any debt obligations, as they become due, will primarily depend on its ability to maintain adequate cash inflows from operating activities. If the Group is unable to maintain adequate cash inflows from operating activities, it may default on its payment obligations, which may materially and adversely affect its business, financial position and results of operations.

The Group's significant indebtedness could limit its working capital required for its business operations and expose the Group to additional risks.

The Group funds the working capital requirement for its business operations and capital expenditure partially with bank borrowings and proceeds from bond issuances in China and the Group has maintained a high level of indebtedness. As of June 30, 2017, the Group's total borrowings were RMB9,435 million (US$1,359 million), of which RMB4,001 million (US$576 million) of borrowings were short-term borrowings. See "Capitalization and Indebtedness". There can be no assurance that the Group will be able to renew existing borrowings upon expiry, or secure new borrowings from banks or other financial institutions, whether on commercially acceptable terms or not. If the banks and other financial institutions providing existing borrowings do not continue to extend similar or more favorable facilities to it and the Group fails to obtain alternative borrowings on comparable terms or at all, its business, financial condition and results of operations will be materially and adversely affected.

Substantial indebtedness could affect the Group's business in a number of ways: (i) requiring a substantial portion of its cash flows from operations to be used for servicing its debt, thereby reducing the cash flow for working capital, capital expenditures or other general corporate uses; (ii) increasing its exposure to interest rate fluctuations; (iii) limiting its ability to obtain, and increasing the cost of, additional financing to fund future working capital, capital expenditures or general corporate uses; and (iv) limiting (to the extent its loan agreements contain such covenants) its ability to pay dividends, sell assets and make intergroup transfers, which may limit its flexibility in planning for, or reacting to, changes in its businesses and the industries in which it is operate.

The availability of bank and other borrowings is subject to various factors beyond the Group's control, including prevailing capital market conditions, credit availability and interest rates. The global financial economic crisis starting from the second half of 2008 has cast doubt on the sustainability of global economic growth and has had an overall adverse impact on business sentiments and environment, leading to the tightening of credit markets, a low level of liquidity in many financial markets and an increase in volatility in credit and equity markets. This resulted in the tightening of credit policies by many financial institutions, which reduced the amount of funding available to borrowers. If market conditions worsen, the availability, terms and cost of bank and other borrowings may be adversely affected, which would disrupt the Group's ability to renew existing bank and other borrowings or obtain new bank and other borrowings for its operations. Such impact may materially and adversely affect the Group's business, financial condition and results of operations.

As of June 30, 2017, the Group had outstanding guarantees in a total amount of RMB1,973 million (US$284 million). If any of the guaranteed companies defaults on its borrowings guaranteed by the Group, the lender may exercise its rights under the guarantee to demand repayment from the Group. For instance, in 2014, the Group repaid bank loans of a total sum of approximately RMB176 million, after the guaranteed companies defaults on their borrowings. If this recurs in the future, the Group's business, financial condition and results of operations may be materially and adversely affected.

PPP projects typically require significant cash outlays and feature long payback periods and the Group may require substantial funding for these projects.

In recent years, the PRC government has encouraged the development of the PPP model whereby private enterprises partner with local government in the financing, construction, operation and maintenance of infrastructure projects and other public works. As of June 30, 2017, the Group had

invested in 12 PPP projects, with an aggregate project contract value of RMB12,070 million. As part of its business strategy, the Group intends to participate in more PPP projects to enhance its profit margins and market position.

For PPP project, the Group undertakes, or jointly undertakes with the government, the financing, construction, operation and maintenance of the project. As a result, if the Group is not able to accurately project the revenue to be derived from the use of the constructed facility at the bidding stage or are exposed to prolonged fluctuating economic conditions, its PPP projects may not be as profitable as anticipated. In addition, PPP projects typically require the Group to make significant initial investment using its own cash and external financing during the construction phase. Such investment features a long payback period, usually from 10 to 15 years. Due to the capital intensive and long-term nature of PPP projects, there can be no assurance that the Group will be able to secure adequate funding on terms that are acceptable to it or at all or that these projects will achieve their initial expected returns. The Group's ability to arrange for external financing and the cost of such financing are dependent on various factors, including general economic conditions, interest rates and credit availability from PRC banks. If the Group fails to obtain short-term or long-term project financing for such projects in the amount budgeted or at all, it may need to finance these projects from its internal resources, which may put a strain on its resources for developing or acquiring other projects and for other corporate purposes. Additionally, the Group may fail to properly perform its obligations in respect of these projects as a result of a funding shortage, and this may lead to a reduction in its returns and to the loss of part of its initial capital investment. This may also have a material adverse effect on its business, financial condition and results of operations.

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

Certain financing contracts entered into by the Group's subsidiaries contain operational and financial restrictions that prohibit the borrowers from incurring additional indebtedness unless they are able to satisfy certain financial ratios, restrict the borrowers from creating security or granting guarantees or prohibit the borrowers from changing their business and corporate structure and declaring or paying dividends, without the lenders' prior consent. For instance, some of the loan agreements executed by the Group's subsidiaries, including the Company, with certain commercial banks restrict it from incurring additional indebtedness, creating security, granting guarantees, or paying dividends to its shareholders. Such restrictions may negatively affect the relevant companies' ability to respond to changes in market conditions, pursue the business opportunities the Group believes to be desirable, obtain future financing, fund capital expenditures, or withstand a continuing or future downturn in the Group's business. Any of these factors could materially and adversely affect the Group's ability to satisfy its obligations under outstanding financial obligations, such as the Notes after issuance.

If the Group or any of its member companies is unable to comply with the restrictions (including restrictions on future investments) and covenants in the current or future debt obligations and other financing agreements, a default under the terms of such agreements may occur. In the event of a default under such agreements, the creditors may be entitled to terminate their commitments granted to the Group or its subsidiaries, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, depending on the provisions of the relevant agreements. Some of the Group's financing agreements contain cross-acceleration or cross-default provisions, which give creditors under these financing agreements to require the Group to immediately repay their loans or declare a default of borrower as a result of the acceleration or default of other financing agreements by any other member of the Group. If any of these events occur, the Group cannot assure you that it will be able to obtain the lenders' waiver in a timely manner or that the assets and cash flow of the Group or its subsidiaries would be sufficient to repay in full all of the respective debts as they become due, or that the Group or its subsidiaries would be able to find alternative financing. Even if the Group or its subsidiaries could obtain alternative financing, there can be no assurance that it would be on terms that are favorable or acceptable to the Group or, as the case may be, its subsidiaries.

Some of the Group's assets are provided as security to secure the Group's and its related parties' loan facilities. These assets, which amounted to approximately RMB1,831 million (US$264 million) as of June 30, 2017, include money capital, fixed assets and long-term receivables. For example, on August 13, 2014, Nantong Sanjian and CITIC Trust Co., Ltd.(中信信托有限責任公司) entered into a share pledge agreement pursuant to which the Company pledged 55.0% equity interest in Anhui Province Luwang Traffic Construction Group Corporation Ltd.(安徽省路網交通建設集團股份有限公司)("Anhui Luwang") it held in favor of CITIC Trust Co., Ltd. for a period of five years to secure its RMB230 million borrowings from CITIC Trust Co., Ltd. Third-party security rights may limit the Group's use of those assets and may adversely affect its operation efficiency. If the Group is unable to service and repay their debts under such loan facilities on a timely basis, the assets mortgaged or charged to secure the Group's bank loans may be foreclosed, which may adversely affect its business, financial condition and results of operations.

The Group's operating results may be significantly affected by changes in the prices and availability of raw materials.

The principal raw materials of the Group's projects are steel, concrete and cement. The Group's cost of raw materials represent a significant portion of its operating cost. For the years ended December 31, 2014, 2015 and 2016 and the six months ended 2016 and 2017, raw material costs of the Group amounted to RMB9,543 million, RMB9,123 million, RMB9,825 million (US$1,415 million), RMB4,071 million and RMB4,153 million (US$598 million), accounted for 57.2%, 54.8%, 54.4%, 54.3% and 54.8% of its operating costs, respectively. Significant fluctuations in the market prices and the availability of these raw material will have a material impact to the Group's operating cost and operating profit.

Raw materials prices depend on a variety of factors beyond the Group's control, including the global and PRC economy and related government policies. There can be no assurance that the prices of its raw materials will not rise from current levels and that its operating cost will not increase. The Group undertakes projects from the project owners mainly by way of contracting for labor and materials. To mitigate the price fluctuation risk of raw materials, the Group generally enter into contracts with risk allocation terms with the relevant project owners. Such risk allocation of raw materials price fluctuation normally provides that the benefit or loss caused by a price fluctuation less than 5% of the agreed price of the raw materials will bear by the Group and the project owner will bear the additional benefit or loss for a price fluctuation larger than 5% of the agreed price. If the Group is unable to purchase any of its raw materials on terms acceptable to it or if it is not able to pass on such price increases to its customers, the Group's operating profit may decrease and its results of operations may be materially and adversely affected.

Further, the Group procured its principal raw materials from a list of qualified suppliers, all of whom were domestic companies in 2014, 2015 and 2016. In the event of an overall increase in market demand for such materials, there can be no assurance that the Group will be able to obtain its principal raw materials from its qualified suppliers in the necessary amount and in a timely manner. If its supplies are disrupted, or if one or more of its current suppliers are unable to meet its requirements for any reason, the Group may incur substantial costs and delays in its operations. Although alternate suppliers for the raw materials might be readily available, any unanticipated supply interruptions may have an adverse effect on the Group's business and results of operations.

Moreover, any disruptions in its suppliers' transportation network or significant increase in their shipping costs could cause delays in delivery of the Group's raw materials and equipment and machinery in a timely manner and result in increased costs. In such an event, the Group may be subject to damages or required to find alternative suppliers, which may result in a significant increase in its costs, and materially and adversely affect its business and results of operations.

If the Group fails to manage its inventory level effectively, it could incur more inventory carrying costs or lose sales, either of which could materially and adversely affect its business, financial condition and results of operations.

The Group's inventories primarily represent the projects (or the portion of a project) that are completed before the relevant bills are issued and the contraction and raw materials used in project construction. The Group has historically maintained a relatively high level of inventories. As of December 31, 2014, 2015 and 2016 and as of June 30, 2017, the Group had inventories of RMB2,892 million, RMB7,182 million, RMB8,101 million (US$1,167 million) and RMB9,836 million (US$1,417 million) respectively, representing 24.6%, 43.5%, 38.3% and 41.6% of the Group's total current assets, respectively. The significant increase in the Group's inventory balance as of December 31, 2015 compared to December 31, 2014 was mainly due to an increase in the projects completed, which was generally in line with the construction timetables of the relevant projects and was partially the result of an expansion of the Group's business. This increase was also caused partially by an increase in its purchase of construction materials to support its increased construction projects. Although the Group endeavors to closely monitor its level of inventory to minimize its exposure to liquidity risk, the Group cannot assure you that the measures it has adopted will be effective or it can manage its inventories effectively or at all.

If the Group has a high level of inventory, the Group may incur additional inventory carrying cost. Increased inventories adversely affect the Group's pricing strategies, increase write-downs and write-offs and result in pressure on the Group's cash flow. According to the Group's accounting policies, the Group makes provisions for inventory obsolescence based on the prevailing market conditions and the accounting estimates and judgements of the Group's management.

The Group may fail to collect its receivables which may harm the Group's liquidity and its business activities.

As is consistent with market practice, the Group grants certain credit terms to its customers for payment of contracting fees, which may vary from one customer to another. As of December 31, 2014, 2015 and 2016 and as of June 30, 2017, the Group's accounts receivables, which mainly represents the outstanding contracting fees payable by its customers, amounted to RMB2,956 million, RMB2,819 million, RMB3,334 million (US$480 million) and RMB3,631 million (US$523 million), respectively, representing 25.2%, 17.1%, 15.8% and 15.4% of the Group's total current assets, respectively. The Group also has a significant amount of other receivables. As of December 31, 2014, 2015 and 2016 and as of June 30, 2017, the Group's other receivables amounted to RMB2,715 million, RMB3,202 million, RMB6,129 million (US$883 million) and RMB6,147 million (US$885 million), respectively, representing 23.1%, 19.4%, 29.0% and 26.0% of the Group's total current assets, respectively. The Group's other receivables primarily represent the borrowings and advances granted by the Group to third-party companies and individuals. As of June 30, 2017, the total amount of the top five largest other receivables was RMB1,746 million (US$252 million), representing 28.4% of the Group's other receivables. Provisions for overdue other receivables made by the Group were RMB102 million (US$15 million) as of the same date.

There are inherent risks associated with the ability of the Group's customers and other third parties to make timely payment of the amounts due, such as deteriorations in the financial condition and cash flow of the payors and adverse changes in the general economic and regulatory environments. Furthermore, the process to recover various payments due can be time-consuming and may require additional resources. Failure to make timely payment by the Group's customers and other third parties or the Group's inability to collect receivables on a timely basis could materially and adversely affect its liquidity and in turn affect the Group's business, financial condition and results of operations.

The Group's operations are exposed to inherent operational risks and occupational hazards, which could cause it to incur substantial costs, damage to reputation and loss of future business.

Construction sites are potentially dangerous workplaces and the Group's construction projects routinely place its employees and others in close proximity with heavy duty construction machinery and equipment, moving motor vehicles, highly regulated and volatile materials, and chemical processes. Over the years, the Group has implemented and enforced a complete set of safety policies and standardized construction methods and technologies and consistently purchased accident and casualty insurance for its construction workers. Despite the foregoing, the Group is still subject to risks surrounding these activities, such as equipment failure, industrial accidents, geological catastrophes, fire and explosions. These hazards can cause personal injury or fatalities, as well as damage to or destruction of property and equipment. The Group had not experienced material accidents in 2014, 2015 and 2016. There can be no assurance, however, that material workplace accidents will not occur in the future despite its safety policies and measures. Even if such accidents were not caused by its fault or negligence, such accidents may still cause the Group to incur substantial costs and damage to its reputation. Damage to the Group's reputation as a result of workplace accidents, whether or not its fault, may cause it to lose future business, which may materially and adversely affect its business and results of operations.

The Group may be involved in disputes, claims and litigations in its ordinary course of business.

The Group may be involved in disputes, claims and litigations in the ordinary course of its business with the project owners, its suppliers, subcontractors or other parties from time to time. As of June 30, 2017, the Group had contingent liabilities in a total amount of RMB192 million (US$28 million) relating to 86 pending legal proceedings, some of which were relating to contract disputes between the Group and its subcontractors due to late payment of constructing fees. If the Group was found liable on such claims, it could be liable for significant monetary damages, as well as be subject to government sanctions, including fines and the loss of operational licenses, approvals and permits. In addition, it may be subject to lengthy and expensive litigation or arbitration proceedings if not resolved through negotiations. Further, it might suffer negative publicity resulting from such claims. If any negative publicity or reputational harm is not effectively remedied or reversed, the Group's existing or potential customers may develop negative views of the safety and quality of its services and products, which may negatively affect its ability to maintain solid relationships with its customers, engage new customers and expand into new markets. In addition, the measures the Group takes to remedy or reverse any negative publicity may be financially costly, force it to divert significant management attention, and may not generate the desired results. Even if the Group is not found liable for any of such claims, its assets may be frozen pending a court's judgement. There can be no assurance that the Group will not be subject to future liability claims or that its business and results of operations would not be materially and adversely affected as a result.

The Group has limited control over the quality, availability and performance of its construction subcontractors.

As with the industry practice, the Group, as the general contractor, engages subcontractors from time to time to provide certain construction services, including highly-specialized services. The Group conducts regular quality inspections of its subcontractors' work. However, the Group cannot guarantee the performance of its construction subcontractors and the quality of the construction subcontractors' work as it may not be able to monitor the operations of its subcontractors as directly and efficiently as it does with its own operations. Further, in cases where the Group's customers recommend construction subcontractors to it, it may not have full knowledge of the construction subcontractors' financial condition, capability, work quality or historical performance despite its in-depth research prior to their engagement. In the event that a construction subcontractor fails to meet the Group's quality standards or breaches its subcontracting agreement, and if it is unable to hire alternative construction subcontractors in a timely manner or on favorable terms, or at all, the Group's operations may be delayed, which could

harm its reputation and adversely affect its business, financial condition and results of operations. Moreover, the Group may be subject to additional costs if it is required to hire alternative construction subcontractors, which would lower the efficiency and profitability of its operations.

In addition, the Group may be required to bear the liability arising from any defects of its construction subcontractors' work and thus may be subject to claims arising from any such defective work. The Group may attempt to seek indemnity from the relevant construction subcontractors in the event such a liability claim is brought against it in respect of its construction subcontractors' work, but it may be required to compensate its customers before it is able to recover such amount from the construction subcontractors. In the event that it is unable to seek indemnity from its construction subcontractors or it is uncompensated for a protracted period of time, the Group may be required to bear significant financial burdens, in which case its business, financial condition and results of operations could be materially and adversely affected.

An increase in labor costs will increase the Group's operating costs and may have an adverse impact on its operating profit.

The Group has observed an overall tightening of the labor market and increased salaries. Failure to obtain stable and dedicated labor support may disrupt the Group's business and adversely affect its operations. Furthermore, salary and wage costs have increased in China in recent years and may continue to increase in the near future. To remain competitive, the Group may need to increase the salaries of its employees to attract and retain them. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, the Group's direct labor costs amounted to RMB3,468 million, RMB3,458 million, RMB3,946 million (US$568 million), RMB1,593 million and RMB1,631 million (US$235 million), accounted for 20.8%, 20.8%, 21.8%, 21.2% and 21.5% of its operating costs, respectively. Future increases in labor costs will increase the Group's labor expenses and its financial position and results of operations may be adversely affected.

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

The Group has substantial bank loans outstanding. In the event that a substantial part of the Group's bank loans bear interest rates linked to the benchmark lending rates published by PBOC, a material fluctuation in the benchmark lending rates may have a material impact on the Group's interest expenses and payables under its bank loans and in turn negatively affect the Group's financing costs and results of operations. PBOC from time to time adjusts interest rates as implementation of its economic and monetary policies. Since the outbreak of the global financial crisis in 2008, PBOC started to lower the benchmark lending rates with an aim to encourage lending, increase liquidity in the market and promote the recovery of China's economy. Since 2008, PBOC decreased the benchmark one-year lending rate five times, from 7.47% to 5.31% in December 2008, which remained unchanged until September 2010. Since then, the one-year lending rate was gradually increased to 6.56% as of July 7, 2011 and onwards. In recent years, a perceivable slowdown in the growth of the economy of the PRC again caused the PRC government to adopt more liberal monetary policies with the aim to stimulate the PRC's economic development. Since 2012, PBOC for a number of times reduced the benchmark one-year lending rate to 4.35% as of October 24, 2015 and onwards.

For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, the Group's interest expenses incurred were RMB178 million, RMB172 million, RMB337 million (US$49 million), RMB154 million and RMB247 million (US$36 million), respectively. Although the Group's financial condition and results of operations may benefit from a low-interest environment, there can be no assurance that a low-interest environment will continue. Any increase in the benchmark lending rate by PBOC in the future may increase the Group's financing costs and adversely affect its profitability, financial condition and results of operations.

Any material discrepancies between the estimated costs and the actual costs ultimately incurred may materially and adversely affect the Group's financial condition and results of operations.

Some of the Group's contracts are fixed-price, which it estimates based on a cost analysis before it enters into contracts with its customers. The lengthy bidding, contract negotiation and construction process of its construction projects limit the Group's ability to accurately predict costs at the outset. The contract terms therefore expose the Group to cost overruns as a result of factors beyond its control, including variations in labor and equipment productivity, price fluctuations of raw materials and unforeseen project conditions. The occurrence of any of such factors may result in inaccurate cost estimates, lower profits or even a loss despite any buffers the Group may have built into the contract value to safeguard against cost increases. Some of the Group's contracts may have a price adjustment clause, allowing it to adjust the contract value for additional costs incurred due to a significant increase in its costs as a result of certain circumstances. In such cases, the Group is typically required to cover a portion of the increased costs. If its estimated costs are lower than its actual costs, or if the price adjustment does not cover its increased costs, the Group's business, financial condition and results of operations may be materially and adversely affected.

From time to time, the Group may need to perform additional work or adjust the scope of work under its contracts. For example, the Group may be required to change its work scope when its customer changes their blueprint design. If it is unable to recover the additional costs arising from change in work scope caused by its customers, the Group's business, financial condition and results of operations may be materially and adversely affected.

If the Group is unable to manage its growth or implement its strategies successfully, its business and prospects may be materially and adversely affected.

The Group had 18.4% and 5.6% increases in its operating profit on a year-on-year basis in 2015 and in 2016, respectively. The Group's ability to continue to increase its operating profit or to maintain its profit growth depends on its effective management of the resulting risks by, among others:

- improving its operational, financial and management systems;
- developing skills of its management team;
- training, motivating, managing and retaining its employees;
- maintaining adequate facilities and equipment;
- enhancing its risk monitoring to assess the financial condition and business potential of new and existing customers;
- managing its liquidity position while committing substantial resources to market expansion, business development, and service and product development efforts;
- managing the increased complexity and costs associated with expanded operations, which may divert its resources and require substantial capital commitment; and
- selectively diversifying its customer base to improve its working capital management.

There can be no assurance that the Group's systems, procedures, controls, personnel and expertise will be adequate to support its future growth. Failure to achieve any of the foregoing, or manage the risks and uncertainties created by measures to achieve the foregoing, could materially and adversely affect its business, prospects, financial condition, results of operations.

The Group's anticipated expansion will place a significant strain on its management, systems and resources. The Group's development and expansion strategies will require substantial managerial efforts and skills and the incurrence of additional expenditures and may expose the Group to new or increased risks. The Group may not be efficiently or effectively in executing its growth strategies or manage the growth of its operations, and may encounter unanticipated market and business risks and suffer financial loss. Any failure to do so may have a material adverse impact on the Group business and prospects.

The Group may have difficulty expanding its business into new provinces and regions in China and new overseas markets.

In 2014, 2015 and 2016, a majority of the construction projects awarded to the Group were located in Jiangsu Province, Shandong Province and Shanghai. In addition to growing its market share in these regions, the Group has been expanding and plan to continue to expand its operations in the neighboring provinces, among other provinces and regions in China. Further, the Group has obtained the Grade A qualification for the construction of foreign technical assistance turn-key projects and has undertaken its first overseas project in Yemen in 2010 for that purpose. There can be no assurance that the Group will be successful in leveraging its experience in its existing markets to expand in other provinces, regions and overseas markets, as the economic development, regulatory environment, business practices and customs and customer preferences may differ. It may also fail to accurately assess the risks involved in engaging in business operations in such provinces, regions and overseas markets given its limited operational experience in those areas. In addition, the Group may be competing against regional, national and international competitors in these provinces, regions and overseas markets that are more familiar with the local customs and practices, or have stronger relationships with local customers. Further, local government authorities may be protective of local construction solutions businesses, limiting the number of projects the Group may be awarded or its ability to obtain the requisite licenses, certificates and permits to do business in the local construction industry. Even if it is awarded projects, the higher costs associated with engaging local labor force, and transporting its equipment and machinery to, or leasing equipment and machinery from local suppliers in, regions domestically and internationally may significantly affect the Group's profitability on such projects. If it fails to expand into other provinces, regions or overseas markets, or fail to expand profitably or in a manner favorable to it, the Group's business, growth and prospects may be materially and adversely affected.

The Group is exposed to potential risks associated with participation in government-directed projects.

Some of the Group's contracts with governmental authorities or government-controlled entities are for public facilities projects. Changes in government budgets for public facilities projects of related industries or factors such as public expenditures and policy considerations, changes in governmental officials or policy makers or other political factors could result in changes or delays to these projects because most of these projects are funded by the government, government authorities and public organisations.

In addition, disputes with the entities established by or directed by the PRC or other governmental entities could lead to contract termination if the disputes are left unresolved or may take a considerably longer period of time to resolve than disputes with the Group's private sector counterparties, and payments from such entities may be delayed as a result. Such entities may from time to time require the construction methods or equipment to be changed, requiring the Group to reconfigure its designs or purchase additional machinery and equipment, thereby subjecting the Group to additional costs. Changes to government budgets and policies relating to the Group's projects could lead to delays in project completion or a withholding of, or delay in, payments to it. Government-controlled entities generally exercise substantial bargaining power in the performance of their contracts with the Group. If a local government-controlled entity terminates or fails to renew a contract with the Group, its backlog may be reduced. The occurrence of any of these risks may have an adverse effect on the Group's business, financial position and results of operations.

Compliance with PRC laws and regulations regarding environmental protection may cause the Group to incur additional construction costs and failure to comply with any law and regulation may result in financial or legal liabilities of the Group.

The Group is subject to extensive PRC laws and regulations concerning environmental protection which impose fines for violation and authorize government authorities to shut down any construction sites that fail to comply with governmental orders requiring the cessation of certain activities causing environmental damage. The application of such laws and regulations vary greatly according to a site's location, its environmental condition, present and former use, as well as the circumstances of its adjoining properties. Such variation in application may result in delays in the Group's project completion and may cause it to incur substantial compliance and other costs and severely restrict its project development activities in certain regions or areas.

As required by PRC laws and regulations, each project the Group constructs is required to undergo environmental assessments and the related assessment document must be submitted to the relevant government authorities for approval before commencement of construction. If it fails to meet such requirements, the local authorities may issue orders to suspend the Group's construction activities and impose a penalty in the range of RMB50,000 to RMB200,000. The Group cannot assure you that it will be able to comply with all such requirements with respect to environmental assessments. In the event of a suspension of construction and/or imposition of a fine as a result of non-compliance, its financial condition may be materially and adversely affected.

In addition, there is a growing awareness of environmental issues in the PRC and the Group may sometimes be expected to meet more stringent standards than those under applicable environmental laws and regulations. Moreover, there can be no assurance that more stringent requirements on environmental protection will not be imposed by the relevant PRC governmental authorities in the future. If the Group fails to comply with existing or future environmental laws and regulations or fail to meet public expectations, its reputation may be damaged or it may be required to pay penalties or fines or take remedial actions, any of which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may not be able to detect or prevent fraud, money laundering or other misconduct committed by its employees, representatives, agents, customers or other third parties in its business operations in a timely manner.

The Group may be exposed to fraud, money laundering 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. These misconducts could include:

- hiding unauthorized 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 authorized limits;

- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities when marketing or selling products;
- engaging in unauthorized or excessive transactions to the detriment of the Group's customers;
- making or accepting the bribery activities;
- conducting any inside dealing; or
- otherwise not complying with applicable laws or the Group's internal policies and procedures.

The Group is required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in China, Hong Kong and other relevant jurisdictions. China's anti-money laundering law requires financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Such policies and procedures require the Group, in particular, the subsidiaries and associated companies in its financial services segment to, among other things, establish a customer identification system in accordance with the relevant rules, record the details of customer activities and report suspicious transactions to the relevant authorities.

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 noncompliance 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. The Group cannot assure you that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it could cause negative publicity as a result.

The Group cannot guarantee that its customers will return the quality warranties offered to the relevant customers in a timely manner or at all.

The Group may incur significant costs in relation to warranties offered to its customers. For a majority of domestic projects that the Group undertakes, it offers to its customers a warranty period that extends from one to five years, depending on the type of construction services provided. Quality warranty or maintenance deposit retained by the Group's customers are generally equal to 2% to 5% of the total contract value.

The warranty arrangement typically requires these deposits to be returned to the Group promptly upon expiry of the warranty period if there are no major quality issues with its construction projects during such period. In 2014, 2015 and 2016 and for the six months ended June 30, 2017, the Group collected substantially all of the retention fees retained by its customers pursuant to the contract terms as they became due. There can be no assurance, however, that the Group will be able to recover all or any of the amounts retained by customers for warranty purposes in the future. If it is unable to recover a significant proportion of the amounts retained by its customers as warranties, the Group's future business, financial condition and results of operations may be materially and adversely affected.

The Group's research and development expenses may not produce successful improvements to its services that will adequately meet the needs of its customers and be accepted by the market.

The construction industry is constantly evolving to meet changing customer needs and demands for higher quality and innovative construction solutions. In order to maintain its competitiveness, the Group must continue to improve its construction methods and its technologies, as well as continue to operate in a cost-effective and timely manner. There can be no assurance that research and development efforts will be successful, be accepted by the market and/or meet the changing demands of its customers. In addition, there can be no assurance that the technologies or solutions in which it invested to develop

will generate sufficient profits. Failure to meet changing customer needs and to generate sufficient profits from its research and development efforts could have a material and adverse impact on the Group's business, results of operations and ability to remain competitive in the market.

The Group's operating income is mainly derived from projects that are non-recurrent in nature, and there can be no assurance that its existing customers will engage it in future business.

As is customary in the industry in which it operates, the Group is awarded construction projects by its customers on a project-by-project basis. As such, its existing customers are not obligated to award projects to it or order from the Group, and there can be no assurance that the Group will be able to secure new business from its customers despite the established and long-term relationships it may have with certain customers. As a result, the Group's operating income and the number of projects it is able to secure may vary from period to period and it is difficult to forecast the volume of its business in the future. There can be no assurance that the Group will be able to secure future business from its existing customers, or that it will be able to develop relationships with new customers, in which case its business, results of operations and prospects would be materially and adversely affected.

The Group's business development efforts provide no guarantee that it will be awarded projects or receive product orders.

The Group conducts extensive sales and marketing for its businesses, including visiting its customers' projects and work closely with them to understand the requirements of their projects. Further, it invests significant efforts to conduct detailed project analyses to prepare its bids for construction projects. The Group does not currently charge potential customers for costs incurred in connection with its sales and marketing activities or its bid preparation, and there can be no assurance that it will be awarded construction projects or contracts to provide design, survey and consultancy services, sell construction materials or civil defense products to its customers. Additionally, the Group may commit its limited resources to pursue a potential project or customer which may not result in a successful bid on a project or volume orders of products, ultimately at the expense of potential projects or orders from other customers. It is possible that the Group may not generate sufficient operating income to offset its investment in sales and marketing efforts, in which case its business, financial condition and results of operations will be materially and adversely affected.

The Group's insurance policies may not be adequate to cover all risks of loss associated with its business operations.

The Group purchases and maintains insurance policies in accordance with the needs of its business and as required under the relevant laws and regulations. However, there can be no assurance that the Group's insurance policies will provide adequate coverage for all the risks in connection with its business operations. Consistent with customary practice in China, it does not carry any business interruption or litigation insurance policies for its operations in China. If the Group was to incur substantial liabilities that are not covered by its insurance policies or if it suffers protracted periods of disruptions or interruptions in its business operations, it could incur significant costs and losses that could materially and adversely affect its results of operations. In addition, the occurrence of certain incidents including earthquakes, fires, adverse weather conditions, war, floods, power outages, equipment failures, construction accidents and the consequences, damages and disruptions resulting from any of the foregoing incidents may not be covered adequately, or at all, by its insurance policies. Any uninsured loss or liabilities may cause the Group to incur substantial costs and the diversion of resources, which could have a material and adverse effect on its operating results.

The Group may be involved in intellectual property disputes and claims of infringement, which may divert its management's attention and harm its reputation and profitability.

The Group relies upon a combination of patents, trademarks, domain names and contractual rights to protect its intellectual property rights. As of June 30, 2017, it owned one trademark, 86 patents and one domain name in the PRC. It also possesses proprietary information in connection with its operations, such as information relating to pricing, raw material procurement and construction methods.

However, there can be no assurance that the steps the Group has taken to monitor and protect its intellectual property rights are adequate to prevent or deter infringement or other misappropriation of its intellectual property. Failure to successfully enforce its intellectual property rights would diminish the Group's competitiveness and harm its reputation. In addition, the Group may be required to incur significant costs in monitoring and protecting its intellectual property. In particular, the Group's trademarks and brand names are significant to its brand recognition and the success of its business.

The Group may be required to commence legal proceedings to enforce its intellectual property rights and protect its proprietary information. Conversely, the Group may be subject to litigation involving claims by third parties that its products or services infringe their intellectual property rights. Any litigation or claims brought by or against it, whether with or without merit, or whether successful or not, can be both costly and time-consuming and may significantly reduce its resources. An unfavorable determination in any such litigation or proceedings to which the Group may become a party could materially and adversely affect its business, financial condition and results of operations.

The Group's inability to attract, retain or secure senior management and key personnel for its operations could hinder its continuing growth and success.

The Group's success depends, to a significant extent, on the services and efforts of senior management and key personnel and its ability to continue to attract, retain and motivate key personnel. It competes with other regional and national construction companies for experienced management and qualified personnel, and the competition for such personnel is intense. There can be no assurance that it will be able to continue to attract and retain the qualified personnel essential for its growth. The loss of services of any personnel holding an important position or possessing industry expertise or experience, including those in charge of project management, risk management, production, sales and marketing, research and development, and accounting and financial management, could have a material and adverse effect on its operations. Under such circumstances, if the Group is unable to recruit and retain replacement personnel with the equivalent qualifications in time or at all, its growth and success could be adversely affected.

The Group's risk management and internal control systems may not fully protect it against various risks inherent in its business.

The Group has established risk management and internal control systems consisting of the relevant organizational framework policies, risk management policies and risk control procedures to manage its risk exposures, primarily its operational risk and legal risk. However, the Group may not be successful in implementing its risk management and internal control systems. While it seeks to continue to enhance its risk management and internal control systems from time to time, there can be no assurance that its risk management and internal control systems are adequate or effective notwithstanding its efforts, and any failure to address any potential risks and internal control deficiencies could materially and adversely affect its business, financial condition and results of operations.

Since the Group's risk management and internal control systems depend on the implementation by its employees, there can be no assurance that all of its employees will adhere to such policies and procedures, and the implementation of such policies and procedures may involve human errors or mistakes. For instance, the Group is subject to risks in relation to actions taken by it or its employees that constitute violations of the PRC anti-corruption and other related laws. There can be no assurance that the Group's internal control system will be effective in preventing the occurrence of corruption, bribery or other illegal activities. Moreover, its growth and expansion may affect its ability to implement stringent risk management and internal control policies and procedures as its business evolves. If the Group fails to timely adopt, implement and modify, as applicable, its risk management and internal control policies and procedures, its business, financial condition and results of operations could be materially and adversely affected.

Negative publicity or damage to its business reputation may have a potential adverse impact on its business.

The Group values and relies on its reputation to maintain and grow its business operations. Negative publicity associated with it could result in loss of business. It conducts business with a number of counterparties, including customers, suppliers and subcontractors. If any of such counterparties are dissatisfied with the Group, whether justified or not, and raises any complaint to the public, the Group's business, brand and reputation may be adversely affected, which will in turn adversely affect its business, prospects and results of operations.

The Group may experience failures in its information technology systems.

The Group relies, to a large extent, on its information technology systems for daily operations. The Group's information technology systems are critical to its operations, including contract management, safety and quality control, documentation management, human resources and accounting and finance management. The Group's information technology systems also support its key operation processes, including project management, procurement and bidding. The Group's operating efficiency and risk management practices have been enhanced by such information technology systems. However, there can be no assurance that any damage or interruption caused by power outages, computer viruses, hardware and software failures, telecommunications failures, fires, natural disasters and other similar events relating to its information technology systems will not happen in the future. Additionally, restoring any damaged information technology systems may incur significant costs and require additional workforce. If any serious damage or significant interruption occurs, it may experience errors in the systems and the Group's operations may be disrupted.

The Group's corporate structure, which consists of a large number of companies in similar business sectors, exposes it to challenges to integrate and manage its business.

As of June 30, 2017, the Company had 25 consolidated subsidiaries and 17 branch companies, most of which operate in construction related industries. The Group has maintained stable growth in its business scale and geographical coverage in recent years. Due to the increasing number of the Group's subsidiaries and project companies across the PRC, the Group is exposed to business, market and regulatory risks associated with different regions. It needs to devote substantial resources to monitor changes in different operating environments so that it can react with appropriate strategies that fit the needs of the portfolio companies affected. It also needs to ensure that there will not be internal competition among its own subsidiaries and branches. If the Group is unable to effectively coordinate its subsidiaries and branches, its business and financial condition may be materially and adversely affected.

The Group's controlling shareholder has significant influence in determining the outcome of major corporate transactions that require shareholder approvals and may take actions that may conflict with the interest of the holders of the Notes.

As of the date of this offering memorandum, Nantong Sanjian Holding Co., Ltd.（南通三建控股有限公司）is the Company's controlling shareholder, holding 73.05% of the total shares of the Company. Nantong Sanjian Holding Co., Ltd. has and will continue to have the ability to exercise a controlling influence in the Group's business, and may cause the Group to take actions that are not in, or may conflict with, the interests of the holders of the Notes. Nantong Sanjian Holding Co., Ltd. will be able to influence the major policy decisions of the Group by controlling the election of board members and, in turn, indirectly controlling the selection of the Group's senior management, determining the timing and amount of any dividend payments, approving annual budgets, deciding on increases or decreases in the Group's share capital, determining the Group's issuance of new securities, approving mergers, acquisitions and disposals of the Group's assets or businesses, and amending the Group's articles of association. These actions may be taken even if they are opposed by the holders of the Notes.

The Group may not be able to successfully identify, acquire, invest in or operate suitable acquisition targets or businesses.

The Group expects to evaluate and enter into discussions regarding a number of acquisitions. It may not be able to identify acquisition targets or investment projects that suit its development plans. Even if it does identify suitable investment projects or acquisition targets, there can be no assurance that the Group will be able to complete the acquisitions and/or investments within the timeframe or budget as it anticipated, or at all. Completion of proposed investments and/or acquisitions is dependent upon the completion of due diligence and the negotiation of definitive agreements, and there can be no assurance that all or any of the proposed transactions will be consummated on commercially acceptable terms, if at all. The successful acquisition of businesses with good prospect requires an assessment of a number of factors, many of which are inherently inexact and may prove to be inaccurate. In connection with acquisitions, the Group may assume liabilities that were not disclosed to or known by it or that exceed its estimates. The Group's assessments of potential acquisitions may not reveal all existing or potential problems, nor may such assessments render it sufficiently familiar with the businesses to fully assess their respective strengths and weaknesses.

In identifying acquisition targets, investment projects or businesses with high-growth opportunities, the Group may decide to acquire only a non-controlling interest in other entities and may not necessarily embark on new business lines. Such growth opportunities involve additional risks because it may not have a good understanding of its business partners and/or have any proven track record in operating the new businesses. On the other hand, the Group may encounter difficulties in managing investment projects even if it has more control. The successful integration of an acquired business may be affected by the size and complexity of the acquired business and the execution of the integration plan by local management. The Group may face unexpected delays or encounter difficulties that may require it to allocate additional resources to deal with such problems. As a result, it may not be able to operate any such acquired businesses profitably.

The Group does not have operational control over entities and strategic alliances in which it holds a minority interest, and the conduct of the controlling shareholder or other major shareholders in such arrangements may adversely affect the value of its investment and may limit its ability to provide construction services in certain markets directly or through other third parties.

The Group has and may in the future acquire minority equity interests in entities and enter into strategic alliances, in which it lacks management and operational control. Minority investments involve risks. The controlling shareholder and other major shareholders in such entities and alliances may have business interests, strategies or goals that are inconsistent with that of the Group, including with respect to customer relations, investments, marketing and other business initiatives, interactions with local governments and competitors, and business decisions. Actions or omissions of the controlling shareholder, other major shareholders or the entity in which the Group has an interest may result in adverse change to the value of its investment. In addition, its minority investments in certain unlisted companies are not liquid or easily transferable which may adversely affect the value of such investments. The occurrence of any or all of these events could have a material adverse effect on the Group's results of operation.

The Group's consolidated financial information as at and for the six months ended June 30, 2016 and 2017 contained in this offering memorandum has not been audited or reviewed.

The Group's consolidated financial information as of and for the six months ended June 30, 2016 and 2017 have been derived from their respective management accounts as of and for the six months ended June, 30, 2016 and 2017, which have not been audited or reviewed by Jiangsu Suya Jincheng Certified Public Accountants LLP, or any other person. As such, the Group's consolidated financial information as of and for the six months ended June 30, 2016 and 2017 should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or review. Potential investors must exercise caution when using such data to evaluate

the financial condition and results of operations of the Group. Such interim consolidated financial information should not be taken as an indication of the expected financial condition and results of operations of the Group for the full financial year ending December 31, 2017.

Risks Relating to the PRC

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

The economy of China experienced rapid growth in the past 30 years. There has been a slowdown in the growth of China's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of China may not be sustainable. According to the National Statistics Bureau of the PRC, the annual growth rate of China's GDP in 2015 slowed down to 6.9% on a year-on-year basis compared to 7.3% in 2014, and it further decreased to 6.7% in 2016 on a year-on-year basis, representing the slowest growth in the past 20 years.

The future performance of China's economy is not only affected by the economic and monetary policies of the Chinese 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 June 23, 2016, the United Kingdom voted in a national referendum to withdraw from the European Union. The result of the referendum does not legally obligate the United Kingdom to exit the European Union, and it is unclear if or when the United Kingdom will formally serve notice to the European Council of its desire to withdraw. There is substantial uncertainty relating to the implementation of the United Kingdom's exit or its impact on the economic conditions of other part of the world, such as China's, including but not limited to further decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of the pound sterling and euro against other leading currencies) and a possible economic recession involving more countries and areas. Therefore, there exists continued uncertainty for the overall prospects for the global and the China's economy this year and beyond.

The economic, political and social conditions in China, as well as government policies, could affect the Group's business and prospects.

The PRC economy differs from the economies of most of the developed countries in many aspects, including:

- the amount and degree of government involvement;
- growth rate and degree of development;
- uniformity in the implementation and enforcement of laws;
- control over capital investment;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For over three decades, the PRC government has implemented economic reform measures to utilize 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 have any adverse effect on the Group's current or future business, results of operations or financial condition.

In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be amended and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures, which may not necessarily have a positive effect on the Group's business development and operations. For example, the PRC government has in the past implemented a number of measures intended to slow down certain segments of the economy that the government believed to be over-heating, including the property industry. These measures have included restricting foreign investment in certain sectors of the property industry, raising benchmark interest rates of commercial banks, reducing currency supply and placing additional limitations on the ability of commercial banks to make loans by raising bank reserves against deposits and raising the thresholds and minimum loan interest rates for residential mortgages. These actions, as well as future actions and policies of the PRC government, could cause a decrease in the overall level of economic activity in the property industry, and in turn have a material and adverse impact on the Group's business, results of operations and financial condition.

The global financial markets, including the financial markets in China, have experienced significant slowdown and volatility during the past few years and any continued deterioration may adversely affect the Group's business and results of operations.

The global credit markets have experienced significant volatility, such as those caused in recent years by the global financial and economic crisis, including the European debt crisis, the potential withdrawal of countries from the Euro-zone and volatility in the PRC stock market, which have led to less favorable financial and economic conditions. In particular, there has been significant volatility in the PRC stock markets during the second half of 2015 and the PRC government taking unprecedented steps to support the markets. In Europe, the United Kingdom has voted on June 23, 2016 in a referendum in favor of leaving the European Union, which is expected to increase market volatility. Any volatility or deterioration in the economic conditions in the United States, the United Kingdom, the European Union, the PRC or elsewhere may have and may adversely affect the Group's business, financial condition and the results of its operations and its ability to access the capital markets. The slowdown in the economies of the United States, the European Union and certain Asian countries with which the PRC has important trade relationships or any future calamities may materially and adversely affect the economic growth of the PRC.

On the other hand, rapid economic growth can lead to growth in money supply and inflation. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. To control inflation in the past, the PRC government has imposed control on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such austerity measures can lead to a slowdown in the economic growth. Recently, there have been growing concerns about the volatility of the Chinese economy and the adjustments of Chinese fiscal policies. For example, after a rapid surge from the second half of 2014 to early June 2015, the Chinese domestic equity markets experienced sharp declines and severe volatility beginning from June 13, 2015. The Chinese government has taken monetary and regulatory measures to stabilize the market, including measures affecting market liquidity, new equity offering pipelines and trading activities of certain market participants. These and other issues resulting from the global economic slowdown and financial market turmoil have adversely impacted, and may continue to adversely impact, the real estate market in the PRC, which may lead to a decline in the general demand for the Group's construction services. Any further tightening of liquidity in the global financial markets may in the future negatively affect the Group's liquidity. If the global economic slowdown and financial crisis continue or become more severe than currently anticipated, or if the PRC economy continues to slow down, the Group's business, results of operations, financial condition and prospects could be materially and adversely affected.

It may be difficult to effect service of legal process and enforce judgments obtained from non-PRC courts against the Group or its directors, supervisors or senior management residing in China.

The Group is established in China. A substantial part of its assets are located in China and the majority of its directors, supervisors and senior management currently reside in China. Therefore, it may be difficult or impossible to effect service of process within the United States, Hong Kong or elsewhere outside China upon it or its directors, supervisors or senior management, including in respect of matters arising under U.S. federal securities laws or applicable state securities laws. A judgment of a court of another jurisdiction may only be reciprocally recognized or enforced if the jurisdiction has a treaty with China or if there are reciprocal relationships between China and such jurisdiction. China has not entered into treaties with most other jurisdictions that provide for the reciprocal recognition and enforcement of judicial rulings and awards. As a result, recognition and enforcement in China of a court judgment obtained in other jurisdictions related to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

If the Issuer is considered a "resident enterprise" under the EIT Law, this status could result in unfavorable tax consequences to it and non-PRC noteholders.

Under the Enterprises Income Tax Law of the PRC (the "EIT Law"), an enterprise established outside of the PRC with a "de facto management organization" located within China will be considered a "resident enterprise," and, consequently, will be treated in a manner similar to a PRC enterprise for enterprise income tax ("EIT") purposes. The implementing rules of the EIT Law define "de facto management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. However, it is still unclear how the PRC tax authorities will determine whether an entity will be classified as a "resident enterprise."

If the PRC tax authorities determine that the Issuer is a "resident enterprise" for EIT purposes, a number of unfavorable PRC tax consequences could follow. The Issuer will be subject to EIT at a rate of 25% on its worldwide taxable income as well as PRC EIT reporting obligations if it is considered as a "resident enterprise" for EIT purposes. In the present case, this would mean that income such as interest from any investment of any portion of offering proceeds and other income sourced from outside the PRC would be subject to PRC EIT at a rate of 25%. Interest payable to the "non-resident enterprise" holders of the Notes may be treated as income derived from sources within the PRC and be subject to PRC withholding tax at a rate of 10% and capital gains realized by holders of the Notes may be treated as income derived from sources within China and be subject to a 10% PRC tax, in each case, subject to the provisions of any applicable tax treaty. Furthermore, if the Issuer is considered a "resident enterprise," interest or gains earned by non-resident individuals may be subject to PRC income tax (which, in the case of interest, may be withheld at source by the Group) at a rate of 20%, in each case, subject to the provisions of any applicable tax treaty. In addition to the uncertainty relating to the application of the "resident enterprise," the PRC government could amend the tax laws, rules and regulations to impose stricter tax requirements, higher tax rates or otherwise revise the EIT Law in a way that has an adverse impact on the Group's business, financial condition and results of operations.

As the Parent Guarantor is a resident enterprise, payments under the Parent Guarantee will be subject to PRC withholding tax at the rates described above. The Issuer and the Parent Guarantor have agreed to pay, subject to certain exceptions, such additional amounts as will result in the holders' receipt of the amounts that would have been received in the absence of any withholding of taxes by the Issuer or the Parent Guarantor. If the Issuer is required to withhold PRC taxes from payments on the Notes, or if payments are made under the Parent Guarantee, the requirement to pay additional amounts with respect to any PRC tax withheld will increase the cost of servicing the Notes and will adversely affect the Group's cash flows and financial position.

The replacement of business tax with value-added tax in the PRC could have an adverse effect on the Group's financial condition and results of operations.

Pursuant to the Notice on Adjustment of Transfer Business Tax to Value-added Tax (關於全面推開營業税改征增值税試點的通知) issued on March 23, 2016 and implemented on May 1, 2016 ("Circular 36") by the MOF and the PRC State Administration of Taxation ("SAT"), effective from May 1, 2016, PRC tax authorities have started imposing value-added tax ("VAT") on revenues from various service sectors, including real estate, construction, financial services and insurance, as well as other lifestyle service sectors, to replace the business tax that co-existed with VAT for over 20 years. Since the issuance of Circular 36, MOF and SAT have subsequently issued a series of tax circulars in March and April 2016 to implement the collection of VAT on revenues from construction, real estate, financial services and lifestyle services. For detailed information regarding the major tax types and rates the Group is subject to, see "Note IV-Taxes" of Group's 2016 Annual Financial Statements.

Replacing business tax with VAT is a structural tax-cutting arrangement that the PRC plans to promote, and its main purpose is to solve double taxation and reduce the tax burdens of enterprises by allowing for the deduction of input tax on VAT. However, due to reasons, such as differences in different industries in the deductible amount of the input tax and the deduction method thereof, the tax burden of enterprises in some industries has increased in practice while the tax burden of enterprises in some other industries has decreased. For example, in the construction engineering industry, the tax burden of the enterprises may be increased for various reasons, such as the existence of non-deductible input tax, the difference between the VAT rates in upstream and downstream market segments, special arrangements for project operation structures, and delay in the collection of construction bills. As of the date of this offering memorandum, the Group has not experienced any material change in terms of its tax burden and financial conditions due to the transition from business tax to VAT tax. However, since the replacement of business tax by VAT in the real estate and construction industries is relatively recent and the detailed implementation rules under Circular 36 are still being formulated by the relevant authorities, the Group is still in the process of assessing the comprehensive impact of the new VAT regime on its tax burden, its operating income and results of operations, which remains uncertain.

Interpretation of the PRC laws and regulations involves uncertainty and the current legal environment in China could limit the legal protections available to the Group and to you.

The Group's business is conducted in China and its principal operating subsidiaries are located in China. Consequently, the Group is subject to PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have limited precedential value and can only be used as a reference. Additionally, PRC written laws are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, because these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree of uncertainty and the legal protection available to the Group and to you may be limited. Depending on the governmental agency or the presentation of an application or case to such agency, the Group may receive less favorable interpretations of laws and regulations than its competitors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may cause difficulties in the enforcement of the Group's land use rights, entitlements under its permits, and other statutory and contractual rights and interests.

The national and regional economies in China and the Group's prospects may be adversely affected by natural disasters, acts of God and occurrence of epidemics.

The Group's business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond the Group's control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including the cities where the Group operates, are under the threat of flood, earthquake, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 or H7N9 avian flu, the human swine flu, also known as Influenza A (H1N1) or Ebola virus disease. A recurrence of SARS or an outbreak of any other epidemics or other natural disasters in China, especially in the cities where the Group has operations, may result in material disruptions to its construction work and sales and marketing, which in turn may adversely affect the Group's financial condition and results of operations.

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

Substantially all of the Group's operating income is denominated in Renminbi. A portion of the Group's cash may be required to be converted into other currencies in order to meet the Group's foreign currency needs, including interest payments on the Notes.

Currently, Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to Chinese foreign exchange laws and regulations which would affect exchange rates and the Group's foreign exchange transactions. Although transactions conducted through the Group's current account are not subject to prior approval by the SAFE under the current foreign control system in China, the Chinese 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 settle payments owed to overseas suppliers or pay dividends to the holders of the Notes in foreign currencies. On the other hand, foreign exchange transactions under capital account in China continue to be not freely convertible and require the SAFE's prior approval. These limitations could affect the Group's ability to obtain foreign currencies through equity financing, or to obtain foreign currencies for capital expenditures.

There can be no assurance that China's policies regarding foreign exchange transactions under the current account and the capital account will continue in the future. These foreign exchange policies may restrict the Group's ability to obtain sufficient foreign exchange, which could have an effect on the Group's foreign exchange transactions and the fulfillment of the Group's other foreign exchange requirements. If the Group fails to obtain approval from the SAFE to convert Renminbi into any foreign exchange where such needs arise, its business, financial condition and results of operations could be adversely affected.

Inflation in China may have a material adverse effect on the Group's business, financial condition and results of operations.

While the PRC economy has experienced rapid growth, such growth has been uneven among various sectors of the economy and in different geographic areas of the country. Rapid economic growth can lead to growth in money supply and inflation. If the increase in cost of raw materials outpaces the increase in the contracting fees the Group charges its customers, the Group's business, financial condition and results of operation may be materially and adversely affected. To control inflation in the past, the PRC government has imposed control on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such austerity measures can lead to a slowdown in the economic growth and may materially and adversely affect Group's business, financial condition and results of operations.

The Group cannot guarantee the accuracy of facts, forecasts and other statistics with respect to China, the PRC economy and the selected PRC regional data contained in this offering memorandum.

Facts, forecasts and other statistics in this offering memorandum relating to China, the PRC economy and the selected PRC regional data have been derived from various official or other publications available in China and may not be consistent with other information compiled within or outside China. However, the Group cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by the Group, the Initial Purchasers or any of the Group or their affiliates or advisors (including legal advisors), or other participants in this offering and, therefore, the Group makes no representation as to the accuracy of such facts, forecasts and statistics. The Group has, however, taken reasonable care in the reproduction and/or extraction of the official and other publications for the purpose of disclosure in this offering memorandum. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, these facts, forecasts and statistics in this offering memorandum may be inaccurate or may not be comparable to facts, forecasts and statistics produced with respect to other economies. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as in other jurisdictions. Therefore, you should not unduly rely upon the facts, forecasts and statistics with respect to China, the PRC economy and the selected PRC regional data contained in this offering memorandum.

Risks Relating to the Notes and the Guarantees

The Issuer is a special-purpose finance vehicle and payments with respect to the Notes are dependent upon cash flow from other members of the Group.

The Issuer is a special-purpose finance vehicle with no material operations and no significant assets. The Company conducts its operations primarily through its PRC subsidiaries who will not provide guarantees for the Notes. The Issuer's primary assets are intergroup loans to PRC subsidiaries. Some of such PRC subsidiaries may not have material operations or assets. Accordingly, the Issuer's ability to pay principal and interest on the Notes will depend upon its receipt of principal and interest payments on the intergroup loans from such borrowing subsidiaries and the ability of the Guarantors to honor their obligations under the Guarantees. The borrowing subsidiaries and any of the Guarantors may not have material operations or assets, and therefore depend upon the receipt of sufficient funds from their subsidiaries or other members in the Group to meet their obligations.

As of the Original Issue Date, the Guarantors will consist of the Parent Guarantor only.

Payments with respect to the Parent Guarantee are structurally subordinated to liabilities, contingent liabilities and obligations of the Company's Non-Guarantor Subsidiaries.

The Notes will not be guaranteed by any of the current or future PRC subsidiaries or by certain other Non-Guarantor Subsidiaries. Accordingly, the Company's ability to honor the Parent Guarantee will depend upon its receipt of principal and interest payments on intercompany loans and distributions of dividends from its subsidiaries, mainly its PRC subsidiaries.

Creditors, including trade creditors of the Company's Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, its payment obligations under the Parent Guarantee will be effectively subordinated to all existing and future obligations of its Non-Guarantor Subsidiaries (including obligations of the Company's Non-Guarantor Subsidiaries under guarantees issued in connection with its business), and all claims of creditors of its Non-Guarantor Subsidiaries will have priority as to the assets of such entities over its claims and those of its creditors, including holders of the Notes.

The Notes and the Indenture permit the Company, the Parent Guarantor and its PRC subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. The Notes and the Indenture do not restrict the ability of the Company's subsidiaries to issue certain categories of

guarantees in the ordinary course of business. In addition, the secured creditors of the Issuer and the Guarantors would have priority as to the Company's assets or the assets of the Issuer or the Guarantors securing the related obligations over claims of the holders of the Notes.

The Company's future Subsidiary Guarantors and JV Subsidiary Guarantors may not have significant operations.

The Company conducts substantially all of its business operations through its PRC subsidiaries but none of its current PRC subsidiaries will provide a Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. None of its future subsidiaries that are organized under the laws of the PRC, Exempted Subsidiaries and Listed Subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. In addition, the Company's future offshore subsidiaries (other than the Exempted Subsidiaries and Listed Subsidiaries) will not be required to guarantee the Notes if the consolidated assets of these subsidiaries do not exceed 10% of its total assets. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of its PRC subsidiaries and other Non-Guarantor Subsidiaries. The future Subsidiary Guarantors and JV Subsidiary Guarantors, if any, that will guarantee the Notes may not have significant operations. The Company cannot assure you that any subsidiaries that may become Subsidiary Guarantors and JV Subsidiary Guarantors in the future will have the funds necessary to satisfy its financial obligations under the Notes if it is unable to do so.

Moreover, under the terms of the Notes, a non-wholly owned subsidiary of the Parent Guarantor may provide a limited-recourse guarantee, or JV Subsidiary Guarantee, following the sale or issuance to, or a purchase from, a third party of an equity interest in such subsidiary or its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under the JV Subsidiary Guarantees provided by a JV Subsidiary Guarantor is limited to an amount equal to our proportional interest in the issued share capital of such JV Subsidiary Guarantor, multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year-end of the PRC Parent Guarantor. As a result, the amount that may be recovered pursuant to a JV Subsidiary Guarantee (compared to a Subsidiary Guarantee) is reduced, which, in turn, may affect your ability to recover any amounts due under the Notes.

Each of the foregoing defined terms is defined in the "Description of the Notes" and the Indenture.

There can be no assurance that the Group will be able to obtain and remit foreign exchange.

The ability of the Issuer to satisfy its obligations under the Notes depends upon its ability to obtain and remit sufficient foreign currency to the Issuer. The Group needs to present certain documents to the SAFE, its authorized branch, or the designated foreign exchange bank, for approval before the Group can obtain and remit foreign currencies out of the PRC. If the Group for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, it will be unable to make payments to the Issuer in foreign currency, which may affect the Issuer's ability to satisfy its obligations under the Notes.

If the Parent Guarantor fails to complete the post-issuance reporting to the NDRC in connection with the Notes, the NDRC may impose penalties or other administrative procedures on the Parent Guarantor.

Pursuant to the NDRC Circular, 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 PRC enterprise must in advance of issuing such bonds, file certain prescribed documents with the NDRC and procure a registration certificate from the NDRC in respect of such issue. According to the NDRC Circular, the NDRC is expected to issue a decision on the submission within seven working days after it

accepts the submission. In addition, the enterprise must also report certain details of the bonds to the NDRC within 10 business days upon the completion of the bond issue according to the NDRC Circular. See "Regulations – NDRC Rules Regarding Overseas Financing."

The NDRC Circular is silent on the legal consequences of noncompliance with the pre-issue registration requirement. In the worst case scenario, it might become unlawful for the Issuer and the Parent Guarantor to perform or comply with any of its obligations under the Notes. Similarly, there is no clarity on the legal consequences of non-compliance with the post-issuance reporting requirement under the NDRC Circular. Additional guidance has been issued by the NDRC (the "NDRC Circular Guidelines") on December 18, 2015, which states that companies, investment banks, law firms and other intermediaries involved in debt securities issues which do not comply with the registration requirement under the NDRC Circular will be subject to a blacklist and sanctions. The NDRC Circular Guidelines are silent as to how such blacklist will be implemented or the exact sanctions that will be enacted by the NDRC, or any impact on the Noteholders, in the event of a noncompliance by the Parent Guarantor with the NDRC Circular. The Parent Guarantor has undertaken to notify the NDRC of the particulars of the issue of the Notes within the prescribed period under the NDRC Circular.

There can be no assurance that the NDRC will not issue further implementation rules or notices which may require additional steps in terms of the registration or provide sanctions or other administrative procedures the NDRC may impose in case of failure of such registration with the NDRC, or noncompliance with the post-issuance reporting requirement. There can be no assurance that the registration with the NDRC will not be revoked or amended in the future or that future changes in PRC laws and regulations will not have a negative impact on the performance or validity and enforceability of the Notes in the PRC. The Parent Guarantor has completed the pre-issue registration with the NDRC and obtained the pre-issue registration certificate on June 21, 2017. If the Parent Guarantor does not report the post issuance information with respect to the Notes within the timeframe as provided under the NDRC Circular, the NDRC may impose sanctions or other administrative procedures on the Parent Guarantor which may have a material adverse impact on the Notes and the investors in the Notes, or to its business, financial condition or results of operations.

The Group may be subject to risks presented by fluctuations in exchange rates between the Renminbi and other currencies, particularly the U.S. dollar.

The Notes are denominated in U.S. dollars, while substantially all of the Group's operating income is generated by its PRC operating subsidiaries and are denominated in Renminbi. The value of the Renminbi against other currencies, including U.S. dollars, may fluctuate and is affected by, among other things, changes in China's political and economic conditions. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band of as much as 0.3% against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012 and to 2.0% on March 17, 2014. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 24.5% from July 21, 2005 to December 31, 2014. On August 11, 2015, to improve the central parity quotations of the Renminbi against the U.S. dollar, the PBOC authorized 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 August 11, 2015, the Renminbi depreciated significantly against the U.S. dollar. Throughout 2016, the 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. If such reforms were implemented and resulted in

devaluation of the Renminbi against the U.S. dollar, the Group's financial condition and results of operations could be adversely affected because of its substantial U.S. dollar-denominated indebtedness and other obligations. Such a devaluation could also adversely affect the value, translated or converted into U.S. dollars or otherwise, of the Group's earnings and its ability to satisfy its obligations under the Notes and other indebtedness denominated in foreign currencies.

There are limited hedging instruments available in China to reduce the Group's exposure to exchange rate fluctuations between the Renminbi and other currencies. To date, it has not entered into any hedging transactions to reduce its exposure to such risks. Following the offering of the Notes, the Group may enter into foreign exchange or interest rate hedging agreements in respect of its U.S. dollar-denominated liabilities under the Notes. These hedging agreements may require it to pledge or transfer cash and other collateral to secure its obligations under the agreements, and the amount of collateral required may increase as a result of mark-to-market adjustments. If the Group was unable to provide such collateral, it could constitute a default under such agreements.

Any hedging obligation entered into, or to be entered into by the Company or its subsidiaries, may contain terms and conditions that may result in the early termination, in whole or in part, of such hedging obligation upon the occurrence of certain termination or analogous events or conditions (howsoever described), including such events relating to it and/or any of its subsidiaries, and the terms and conditions of such hedging obligation(s) may provide that, in respect of any such early termination, limited or no payments may be due and payable to, or that certain payments may be due and payable by, it and/or any of its subsidiaries (as relevant) in respect of any such early termination. Any such early termination, in whole or in part, of any such hedging obligation(s), and the payment and any other consequences and effects of such early termination(s), may be material to the Company's financial condition and/or any of its subsidiaries and may be material in relation to the performance of the Company's or its subsidiaries' or its or their respective obligations under or in relation to the Notes (if applicable), any indebtedness or any other present or future obligations and commitments.

The Group may not be able to repurchase the Notes upon a Change of Control Triggering Event.

The Group must offer to purchase the Notes upon the occurrence of a Change of Control Triggering Event at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See "Description of the Notes – Repurchase of Notes Upon a Change of Control Triggering Event".

The source of funds for any such purchase would be its available cash or third-party financing. However, the Group may not have enough available funds at the time of the occurrence of any Change of Control Triggering Event to make purchases of outstanding Notes. Its failure to make the offer to purchase or purchase the outstanding Notes would constitute an Event of Default under the Notes. The Event of Default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If the Group's other debts were to be accelerated, it may not have sufficient funds to purchase the Notes and repay the debt.

In addition, the definition of Change of Control Triggering Event for purposes of the Indenture does not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations, although these types of transactions could increase the Group's indebtedness or otherwise affect its capital structure or credit ratings. The definition of Change of Control Triggering Event for purposes of the Indenture also includes a phrase relating to the sale of "all or substantially all" of the Group's assets. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition under applicable law. Accordingly, the Group's obligation to make an offer to purchase the Notes, and the ability of a holder of the Notes to require it to purchase its Notes pursuant to the offer as a result of a highly-leveraged transaction or a sale of less than all of its assets, may be uncertain.

Investors should note that the Company's equity interests have been, and will from time to time be, pledged by its shareholders to secure financing provided by third-party banks to its shareholders. If its shareholders default on such financing, it may result in enforcement of such pledges by such third-party banks, that may result in the occurrence of a Change of Control Triggering Event. As of the date of this offering memorandum, Investors should note that the equity interests of certain subsidiaries of or entities controlled by the Parent Guarantor have been pledged by the Parent Guarantor. For example, on August 13, 2014, Nantong Sanjian and CITIC Trust Co., Ltd. entered into a share charge agreement pursuant to which the Company pledged 55.0% equity interest in Anhui Luwang it held in favor of CITIC Trust Co., Ltd. for a period of five years to secure its RMB230 million borrowings from CITIC Trust Co., Ltd.

The Issuer may elect to redeem the Notes prior to their maturity.

Pursuant to terms of the Notes, the Issuer may elect to redeem the Notes prior to their maturity in whole or in part at the price specified in the section entitled "Description of the Notes – Optional Redemption". The date on which the Issuer elects to redeem the Notes may not accord with the preference of particular noteholders. In addition, a noteholder may not be able to reinvest the redemption proceeds in comparable securities at the same rate of return of the Notes.

The terms of the Notes permit the Group to make investments in Unrestricted Subsidiaries and minority owned joint ventures.

In light of sizes of projects, the competitive landscape and other factors, the Group may from time to time consider seeking business opportunities jointly with other business partners. The Group may also from time to time make minority investments that it believes are viable. As a result, it may need to make investments in joint ventures (including joint ventures in which it may own less than a 50% equity interest) and such joint ventures may or may not be Restricted Subsidiaries under the Indenture governing the Notes. Although the Indenture governing the Notes restricts the Company and its Restricted Subsidiaries from making investments in Unrestricted Subsidiaries, minority joint ventures or other minority investments, these restrictions are subject to important exceptions and qualifications. See the definition of "Permitted Investments" in "Description of the Notes."

The Issuer or the Parent Guarantor may not be able to redeem the Notes upon the occurrence of a SAFE Noncompliance Event.

Following the occurrence of a SAFE Noncompliance Event (as defined in the "Description of the Notes"), the Issuer will be required to make an offer to repurchase all of the Notes at a price in cash equal to 100% of the principal amount of the Notes repurchased, plus accrued and unpaid interest on the principal amount of the Notes being repurchased to but excluding the date of repurchase. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. There is also no assurance that the Parent Guarantor would have sufficient liquidity at such time to make the required redemption of the Notes. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. The Issuer's and the Parent Guarantor's failure to repay, repurchase or redeem the Notes could constitute an event of default under the Notes, which may also constitute a default under the terms of the Issuer's, the Parent Guarantor's or the Group's other indebtedness.

The Issuer may be able to redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest in the event the Issuer is required to pay additional amounts due to certain changes in tax laws, including being treated as a PRC "resident enterprise."

In the event the Issuer, the Parent Guarantor or a Subsidiary Guarantor (if any) is required to pay additional amounts as a result of certain changes in or interpretations of tax laws of a Relevant Jurisdiction, the Issuer may, at its option, redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest. See "Description of the Notes – Redemption for Taxation Reasons."

As of the date of this offering memorandum, the Issuer has not received notice that it should be treated as a PRC "resident enterprise" from the PRC tax authorities. However, in the event that the Issuer is treated as a PRC "resident enterprise" under the EIT Law, it may be required to withhold PRC income tax on interest payable to certain of its non-resident investors. In such case, the Issuer will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required.

The insolvency laws of the British Virgin Islands, PRC and other local insolvency laws may differ from the laws of jurisdictions with which holders of the Notes are familiar.

The Issuer is incorporated under the laws of the British Virgin Islands. Therefore, an insolvency proceeding relating to the Issuer, even if brought in the United States, would likely involve the insolvency laws of the British Virgin Islands, which may have different procedural and substantive provisions from the United States federal bankruptcy law. In addition, the Parent Guarantor incorporated in the PRC. The insolvency laws of the PRC may also differ from the laws of the United States or other jurisdictions with which the holders of the Notes are familiar.

The Group conducts substantially all of its business operations through PRC-incorporated subsidiaries in the PRC. It is therefore subject to the bankruptcy and insolvency laws of the PRC in a bankruptcy or insolvency proceeding involving its PRC subsidiaries. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of jurisdictions with which the holders of the Notes are familiar. You should analyze the risks and uncertainties carefully before you invest in the Notes.

The Group's operations are restricted by the terms of the Notes, which could limit its ability to plan for or to react to market conditions or meet its capital needs, which could increase your credit risk.

The Indenture includes a number of significant restrictive covenants. These covenants restrict, among other things, the Company's ability, and the ability of its Restricted Subsidiaries, to:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- engage in any business other than permitted business;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

These covenants could limit the Group's ability to plan for or react to market conditions or to meet its capital needs. Its ability to comply with these covenants may be affected by events beyond its control, and the Group may have to curtail some of its operations and growth plans to maintain compliance.

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

If the Group is unable to comply with the restrictions and covenants in the Indenture, or its current or future debt and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Group, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of its debt agreements, including the Indenture, contain cross-acceleration or cross-default provisions. As a result, the Group's default under one debt agreement may cause the acceleration of debt, including the Notes, or result in a default under its other debt agreements, including the Indenture. If any of these events occur, the Group cannot assure you that its assets and cash flow would be sufficient to repay in full all of its indebtedness, or that it would be able to find alternative financing. Even if the Group could obtain alternative financing, it cannot assure you that it would be on terms that are favorable or acceptable to it.

The Notes may initially be sold to a small number of investors and do not have a liquid trading market. In addition, one or more of the investors may own a significant percentage or a majority of the Notes and may therefore be able to exercise certain rights and powers on behalf of all noteholders.

The Notes may initially be sold to a small number of investors. Accordingly, there may not be a liquid trading market for the Notes, in which case you may not be able to resell your Notes at their fair market value or at all. In addition, one or more of the investors may hold a significant percentage or a majority of the aggregate principal amount of the Notes. Any holder of a majority in aggregate principal amount of the Notes will have certain rights and powers under the Indenture and related documents. Accordingly, any investor that holds a majority in aggregate principal amount of the Notes will be able to exercise such rights and powers on behalf of all noteholders and control the outcome of votes on such matters even if such outcome is not in line with the interest of the noteholders who vote against the matters.

A trading market for the Notes may not develop, and there are restrictions on resales of the Notes.

Although the Group has made application for the listing and quotation of the Notes on the Official List of the SGX, it cannot assure you that it will obtain or be able to maintain a listing and quotation of the Notes on the SGX, or that, if listed, a liquid trading market will develop. The Group has been advised that the Initial Purchasers intend to make, or to continue to make, a market in the Notes, but the Initial Purchasers are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See "Transfer Restrictions." The Group cannot predict whether an active trading market for the Notes will develop or be sustained.

The ratings assigned to the Notes may be lowered or withdrawn in the future.

The Notes are expected to be rated "B2" by Moody's. The ratings address the Group's ability to perform its obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. The Group cannot assure you 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. It has no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

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

The price and trading volume of the Notes may be highly volatile. Factors such as variations in the Group's operating income, earnings and cash flows and proposals for new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies, government regulations and changes thereof applicable to the Group's industry and general economic conditions nationally or internationally could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the volume and price at which the Notes will trade. The Group cannot assure you that these developments will not occur in the future.

There may be less publicly available information about the Group than is available in certain other jurisdictions.

There may be less publicly available information about the Group than is regularly made available by public companies in PRC and certain other countries. In addition, its financial statements are prepared and presented in accordance with PRC GAAP, which differ in certain significant respects from U.S. GAAP or IFRS. The Group has not prepared a reconciliation of its consolidated financial information and its consolidated financial statements and related footnotes between PRC GAAP and other GAAPs. In making an investment decision, you must rely upon your own examination of the Group, the terms of the offering and the Group's financial information. You should consult your own professional advisers for an understanding of the differences between PRC GAAP and any other GAAPs and how those differences might affect the financial information contained in this offering memorandum.

Certain facts and statistics are derived from publications not independently verified by the Group, the Initial Purchasers or its or their respective advisors.

Facts and statistics in this offering memorandum relating to the PRC economy and the real estate industry are derived from publicly available sources. While the Group 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 the Group, the Initial Purchasers or its or their respective advisors and, therefore, the Group makes no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. 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. Furthermore, the Group cannot 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.

The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global form and held through Euroclear and Clearstream. Interests in the Notes represented by the Global Notes will trade in book-entry form only, and Notes in definitive registered form, or definitive registered notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book entry interests will not be considered owners or holders of the Notes. The nominee of the common depositary for Euroclear and Clearstream will be the sole registered holder of the Global Notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the Global Notes representing the Notes will be made to the Paying Agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to accounts of participants that hold book-entry interests in the Global Notes representing the Notes and credited by such participants to indirect participants. After payment to the nominee of the common depositary for Euroclear and Clearstream, the Group will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear and

Clearstream or, if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of Noteholder under the Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon the Company's solicitations for consents, requests for waivers or other actions from noteholders. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis. Similarly, upon the occurrence of an Event of Default under the Indenture, unless and until definitive registered notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes.

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

Pursuant to the Parent Guarantee executed by the Parent Guarantor, the Parent Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Notes and the Indenture. The Parent Guarantor is required to submit the Parent Guarantee to the local SAFE for registration in accordance with, and within the time period prescribed by, the Foreign Exchange Administration Rules on Cross-border Security. Although the nonregistration does not render the Parent Guarantee ineffective or invalid under the PRC law, the SAFE may impose penalties on the Parent Guarantor if registration is not carried out within the stipulated time frame. The Parent Guarantor intends to register the Parent Guarantee as soon as practicable and in any event within 15 Registration Business Days after the Original Issue Date. In addition, if the Parent Guarantor fails to complete the SAFE registration, there may be logistical hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Parent Guarantor under the Parent Guarantee) as domestic banks may require evidence of the SAFE registration in connection with the Parent Guarantee in order to effect such remittance, although this does not affect the validity of the Parent Guarantee itself.

The Group will follow the applicable corporate disclosure standards for debt securities listed on the SGX, and such standards may be different from those applicable to debt securities listed in certain other countries.

The Group will be subject to reporting obligations in respect of the Notes to be listed on the SGX. The disclosure standards imposed by the SGX may be different than those imposed by securities exchanges in other countries or regions such as the United States or Hong Kong. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

The Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Guarantees.

Under bankruptcy laws, fraudulent transfer laws, insolvency or unfair preference or similar laws in the British Virgin Islands, the United States or other jurisdictions where future Subsidiary Guarantors (if any) may be established, or where insolvency proceeding may be commenced with respect to a Guarantor, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by, or when it gives its guarantee:

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;

- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;

- was insolvent or rendered insolvent by reason of such incurrence;

- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or

- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The measure of insolvency for purposes of the foregoing will vary depending on the law of the jurisdiction which is being applied. Generally, however, the guarantor would be considered insolvent at a particular time if it is unable to pay its debts as they fall due or if the sum of its debts was then greater than all of its property at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities on its existing debt as they became absolute and matured.

In addition, a guarantee may be subject to review under applicable insolvency or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the guarantors. In such case, the analysis set forth above would generally apply, except that such guarantee could also be subject to the claim that, since such guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder was incurred for less than reasonably equivalent value or fair consideration.

In an attempt to limit the applicability of insolvency and fraudulent transfer laws in certain jurisdictions, the obligations of the Guarantors under the Guarantees (as the case may be) will be limited to the maximum amount that can be guaranteed by the applicable Guarantor without rendering the guarantee, as it relates to such Guarantor, voidable under such applicable insolvency or fraudulent transfer laws. The Company cannot assure you that such limitation will be effective in preserving the enforceability of any of the Guarantees.

If a court voids a Guarantee, subordinates such guarantee to other indebtedness of the relevant Guarantor, or holds the Guarantee unenforceable for any other reason, holders of the Notes would cease to have a claim against the relevant Guarantor based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables) of such Guarantor, and would solely be creditors of the Issuer and any Guarantors whose guarantees have not been voided or held unenforceable. The Company cannot assure you that, in such an event, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Notes.

USE OF PROCEEDS

The Group estimates that the net proceeds from this offering, after deducting commissions and other estimated expenses payable in connection with this offering, will be approximately US$295 million. The Group intends to use the net proceeds for general corporate purposes and refinancing of existing indebtedness.

The Group may adjust its development plans in response to changing market conditions and therefore reallocate the use of the proceeds.

Pending application of the net proceeds of this offering, the Group intends to invest the net proceeds in Temporary Cash Investments (as defined under "Description of the Notes – Definitions").

EXCHANGE RATE INFORMATION

PRC

The PBOC sets and publishes daily a central parity 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. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital account items, such as foreign direct investment, loans or securities, requires the approval of the State Administration for Foreign Exchange and other relevant authorities. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of Renminbi to that of the U.S. dollar. Under the policy, Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies determined by PBOC. 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 business day, and makes it the central parity rate for the trading against the Renminbi on the following business day. On May 18, 2007, PBOC announced that the floating band of Renminbi trading prices against the U.S. dollar in the interbank spot foreign currency exchange market would be increased from 0.3% to 0.5% from May 21, 2007. This allowed the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. On June 19, 2010, PBOC announced that it intends to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate. According to this announcement, PBOC will place more emphasis on reflecting market supply and demand with reference to a basket of currencies and continue dynamic management and adjustment of exchange rate floating practice according to published exchange rate floating bands in foreign exchange markets. The floating band was further widened to 1.0% on April 16, 2012.

On March 15, 2014, PBOC announced that since March 17, 2014, the floating band of inter-bank spot foreign exchange market trading price of RMB against U.S. dollar was further widened from 1% to 2%. On each business day, the spread between the Renminbi and U.S. dollars buying and selling prices offered by the designated foreign exchange banks to their clients shall be within 3% of published central parity of U.S. dollar on that day, instead of 2%. PBOC may continue to promote the market-based Renminbi exchange rate regime, enhance the flexibility of Renminbi exchange rate in both directions, and keep the Renminbi exchange rate basically stable at an adaptive and equilibrium level. On August 11, 2015, PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorizing 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. In 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 the noon buying rates in Renminbi per U.S. dollar, as set forth in the H.10 statistical release of the Federal Reserve Bank of New York for the periods indicated:

	Noon Buying Rate			
	Period End	Average[(1)]	Low	High
	(RMB per US$1.00)			
Period				
2012	6.2301	6.2990	6.2221	6.3879
2013	6.0537	6.1412	6.0537	6.2438
2014	6.2046	6.1704	6.0402	6.2591
2015	6.4778	6.2869	6.1870	6.4896
2016	6.9430	6.6400	6.4480	6.9580
2017				
April	6.9021	6.8876	6.8778	6.8988
May	6.7537	6.7534	6.7517	6.7552
June	6.7993	6.8066	6.7793	6.8382
July	6.7240	6.7694	6.7240	6.8039
August	6.5888	6.6670	6.5888	6.7272
September	6.6533	6.5690	6.4773	6.6591
October (through October 6)	6.6533	6.6533	6.6533	6.6533

Note:

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

Hong Kong

The Hong Kong dollar is freely convertible into other currencies, including the U.S. dollar. Since October 17, 1983, the Hong Kong dollar has been pegged to the U.S. dollar at the rate of HK$7.80 to US$1.00. The central element in the arrangements which gave effect to the peg is that, by agreement between the Hong Kong Special Administrative Region government and the three Hong Kong banknote issuing banks (i.e., The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and the Bank of China Limited), certificates of indebtedness, which are issued by the Hong Kong Government Exchange Fund to the banknote issuing banks to be held as cover for their banknote issues, are issued and redeemed only against payment in U.S. dollars at the fixed exchange rate of HK$7.80 to US$1.00. When the banknotes are withdrawn from circulation, the banknote issuing banks surrender the certificates of indebtedness to the Hong Kong Government Exchange Fund and are paid the equivalent U.S. dollars at the fixed rate.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate which applies to the issue of the Hong Kong currency in the form of banknotes, as described above, the market exchange rate has not deviated materially from the level of HK$7.80 to US$1.00 since the peg was first established. However, in May 2005, the Hong Kong Monetary Authority broadened the 22-year old trading band from the original rate of HK$7.80 per U.S. dollar to a rate range of HK$7.75 to HK$7.85 per U.S. dollar. The Hong Kong Special Administrative Region government has stated its intention to maintain the link at that rate and it, acting through the Hong Kong Monetary Authority, has a number of means by which it may act to maintain exchange rate stability. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong Special Administrative Region government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong Special Administrative Region government will maintain the link at HK$7.75 to HK$7.85 per U.S. dollar, or at all.

The following table sets forth the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board for the periods indicated:

	Noon Buying Rate			
	Period End	Average[(1)]	Low	High
	(HK$ per US$1.00)			
Period				
2012	7.7507	7.7569	7.7493	7.7699
2013	7.7539	7.7565	7.7503	7.7654
2014	7.7531	7.7545	7.7495	7.7669
2015	7.7507	7.7524	7.7495	7.7686
2016	7.7534	7.7620	7.7505	7.8270
2017				
April	7.7779	7.7737	7.7687	7.7806
May	7.7929	7.7864	7.7775	7.7933
June	7.8055	7.7984	7.7908	7.8055
July	7.8100	7.8091	7.8034	7.8128
August	7.8267	7.8217	7.8121	7.8267
September	7.8110	7.8127	7.7995	7.8256
October (through October 6)	7.8057	7.8084	7.8057	7.8106

Note:

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

CAPITALIZATION AND INDEBTEDNESS

The table below sets forth the Group's consolidated indebtedness and capitalization as of June 30, 2017:

- on an actual basis; and
- on an adjusted basis to give effect to the issuance of the Notes and receipt of the net proceeds from this offering after deducting commissions and other estimated expenses in connection with this offering payable by the Group.

You should read this table in conjunction with the section headed "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Group's Annual Financial Statements and the related notes included elsewhere in this offering memorandum.

	As of June 30, 2017			
	Actual		As adjusted	
	(RMB'000) (unaudited)	(US$'000) (unaudited)	(RMB'000) (unaudited)	(US$'000) (unaudited)
Short-term borrowings				
Short-term loans	3,601,800	518,767	3,601,800	518,767
Non-current liabilities maturing within one year	399,166	57,492	399,166	57,492
Short-term borrowings	**4,000,966**	**576,259**	**4,000,966**	**576,259**
Long-term borrowings[(1)]				
Long-term loans	2,937,233	423,050	2,937,233	423,050
Bonds payable	2,477,026	356,766	2,477,026	356,766
Sale and leaseback	19,499	2,808	19,499	2,808
Notes to be issued	–	–	2,048,185	295,000
Long-term borrowings	**5,433,758**	**782,624**	**7,481,943**	**1,077,624**
Total borrowings[(2)]	**9,434,724**	**1,358,883**	**11,482,909**	**1,653,883**
Total equity	**7,831,252**	**1,127,935**	**7,831,252**	**1,127,935**
Total capitalization[(3)]	**17,265,975**	**2,486,818**	**19,314,161**	**2,781,818**

Notes:

(1) Exclude the current portion of long-term borrowings.

(2) Total borrowings are equal to the sum of short-term borrowings and long-term borrowings.

(3) Total capitalization are equal to the sum of total borrowings and total equity.

The Group continues to enter into bank loans and issue bonds in the ordinary course of business to finance its operations. As of June 30, 2017, the Group's short-term loans and long-term loans were RMB3,602 million (US$519 million) and RMB2,937 million (US$423 million), respectively.

Except as otherwise disclosed in this offering memorandum, there has been no material change in the Group's indebtedness or capitalization since June 30, 2017.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables present the Group's selected consolidated financial and other data. The selected consolidated financial information of the Group as of and for the years ended December 31, 2015 and 2016 has been extracted from the Group's 2016 Annual Financial Statements and the selected consolidated financial information of the Group as of and for the year ended December 31, 2014 has been extracted from the Group's 2015 Annual Financial Statements. The Group's Annual Financial Statements have been prepared and presented in accordance with PRC GAAP and have been audited by Jiangsu Suya Jincheng Certified Public Accountants LLP. PRC GAAP differs in certain respects from IFRS.

The Group's consolidated financial information as of and for the six months ended June 30, 2016 and 2017 have been derived from their respective management accounts as of and for the six months ended June, 30, 2016 and 2017, which have not been audited or reviewed by Jiangsu Suya Jincheng Certified Public Accountants LLP, or any other person. As such, the Group's consolidated financial information as of and for the six months ended June 30, 2016 and 2017 should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or review. Potential investors must exercise caution when using such data to evaluate the financial condition and results of operations of the Group. Such interim consolidated financial information should not be taken as an indication of the expected financial condition and results of operations of the Group for the full financial year ending December 31, 2017.

You should read the selected consolidated financial statements set forth below in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations", the Group's Annual Financial Statements and the Group's 2017 Interim Financial Statements, including the accompanying notes, included elsewhere in this offering memorandum.

Selected Consolidated Income Statements Data

	For the year ended December 31,				For the six months ended June 30,		
	2014	2015	2016	2016	2016	2017	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)	(RMB'000) (unaudited)	(RMB'000) (unaudited)	(US$'000) (unaudited)
Total operating income	**18,788,059**	**18,744,607**	**20,277,876**	**2,920,622**	**8,353,660**	**8,493,522**	**1,223,322**
Total operating cost							
Including: Operating cost	16,690,682	16,656,759	18,077,717	2,603,733	7,496,996	7,575,807	1,091,143
Business taxes & surcharges	614,190	638,231	232,045	33,421	156,454	28,950	4,170
Selling and distribution expenses	11,071	10,968	10,248	1,476	5,820	9,059	1,305
General and administrative expenses	299,699	275,314	526,058	75,768	406,949	123,631	17,807
Financial expenses	226,533	208,503	200,886	28,934	87,714	203,227	29,271
Impairment losses	101,788	(65,813)	188,383	27,133	(18,815)	127,795	18,406
Add: Gains from changes in fair value (or less: losses)	332	(468)	–	–	–	–	–
Investment income (or less: losses)	30,797	16,405	51,675	7,443	54,557	4,146	597
Operating profit	**875,225**	**1,036,583**	**1,094,214**	**157,600**	**273,099**	**429,200**	**61,818**
Add: Non-operating income	19,818	4,513	5,054	728	261	1,171	169
Less: Non-operating expenses	5,502	5,042	4,776	688	2,508	159	23
Profit before taxation	**889,541**	**1,036,055**	**1,094,491**	**157,639**	**270,853**	**430,213**	**61,964**
Less: Income tax expenses	231,258	295,963	353,713	50,945	136,481	111,723	16,092
Net Profit	**658,283**	**740,092**	**740,778**	**106,694**	**134,372**	**318,489**	**45,872**
Net profit attributable to owners of parent company	656,555	736,641	703,136	101,273	127,544	328,821	47,360
Non-controlling interests	1,728	3,451	37,642	5,422	6,827	(10,332)	(1,488)
Net of tax from other comprehensive income	–	–	11,250	1,620	11,250	(2,250)	(324)
Total comprehensive income	658,283	740,092	752,028	108,315	145,622	316,240	45,548
Total comprehensive income attributable to owners of the parent company	656,555	736,641	714,386	102,893	138,794	326,572	47,036
Total comprehensive income attributable to minority shareholders	1,728	3,451	37,642	5,422	6,827	(10,332)	(1,488)

Other Financial Data

	As of/For the year ended December 31,				As of/For the six months ended June 30,		
	2014	2015	2016	2016	2016	2017	2017
	(RMB'000) (unaudited)	(RMB'000) (unaudited)	(RMB'000) (unaudited)	(US$'000) (unaudited)	(RMB'000) (unaudited)	(RMB'000) (unaudited)	(US$'000) (unaudited)
EBITDA[(1)]	1,919,290	1,867,630	1,746,580	251,560	510,450	842,020	121,276
EBITDA margin[(2)](%)	10.2	10.0	8.6	8.6	6.1	9.9	9.9
Total borrowings [(3)]/Total assets (%)	27.1	24.5	31.0	31.0	31.0	36.6	36.6
Current ratio (x)[(4)]	1.64	1.59	1.68	1.68	1.68	1.89	1.89
EBITDA/Financial expense (x)	10.79	10.83	5.18	5.18	3.31	3.42	3.42

Notes:

(1) EBITDA represents total operating income minus operating cost, selling and distribution expenses and general and administrative expenses, plus depreciation and amortization expenses.

EBITDA is not a standard measure under PRC GAAP. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of the Group's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA the Group believes that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. The Group has included EBITDA because the Group believes it is a useful supplement to cash flow data as a measure of the Group's performance and the Group's ability to generate cash flow from operations to service its debt and tax obligations. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies and the components of the Group's EBITDA may not be comparable to similarly named components presented by other companies whose financial statements were prepared under generally accepted accounting principles other than PRC GAAP. Investors should not compare the Group's EBITDA or components of the Group's EBITDA to EBITDA or components of EBITDA presented by other companies. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture. See "Description of the Notes – Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture.

(2) EBITDA margin is calculated as EBITDA divided by total operating income and multiplied by 100%.

(3) Total borrowings are equal to the sum of short-term borrowings and long-term borrowings. See "Capitalization and Indebtedness."

(4) Current ratio is calculated as total current assets divided by total current liabilities.

Selected Consolidated Statements of Financial Position Data

	As of December 31,				As of June 30,	
	2014	2015	2016	2016	2017	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)	(RMB'000) (unaudited)	(US$'000) (unaudited)
Current assets						
Cash and cash equivalents	2,305,474	2,417,131	2,918,861	420,403	3,409,569	491,080
Financial assets at fair value through profit or loss	1,369	901	–	–	–	–
Notes receivable	186,242	448,722	134,856	19,423	193,508	27,871
Accounts receivable	2,956,048	2,819,379	3,333,994	480,195	3,630,924	522,962
Prepayment	334,559	333,133	407,132	58,639	312,608	45,025
Interests receivable	467	5,084	1,209	174	796	115
Dividend receivable	–	–	–	–	–	–
Other receivables	2,715,385	3,201,720	6,128,855	882,739	6,147,300	885,395
Inventories	2,892,205	7,181,602	8,101,219	1,166,818	9,836,286	1,416,720
Non-current assets maturing within one year	–	–	–	–	–	–
Other current assets	345,500	103,508	100,102	14,418	111,902	16,117
Total current assets	**11,737,248**	**16,511,182**	**21,126,227**	**3,042,810**	**23,642,895**	**3,405,285**
Non-current assets						
Loans and payment on behalf	–	210,873	–	–	–	–
Available-for-sale financial assets	120,703	130,109	200,175	28,831	177,475	25,562
Long-term receivables	398,327	329,676	460,430	66,316	374,652	53,961
Long-term equity investments	46,868	49,145	2,440	351	2,122	306
Investment properties	–	9,913	69,792	10,052	67,969	9,790
Fixed assets	412,779	342,858	346,616	49,923	323,059	46,530
Construction in progress	8	–	–	–	–	–
Intangible assets	40,247	24,897	2,653	382	2,977	429
Development expenditures	–	–	2,860	412	3,456	498
Goodwill	162,430	173,282	269,671	38,841	269,671	38,841
Long-term deferred expenses	5,745	36,093	44,531	6,414	39,832	5,737
Deferred tax assets	121,467	101,870	150,163	21,628	187,137	26,953
Other non-current assets	112,268	223,081	403,864	58,169	677,634	97,600
Total non-current assets	**1,420,841**	**1,631,797**	**1,953,195**	**281,319**	**2,125,982**	**306,205**
Total assets	**13,158,089**	**18,142,979**	**23,079,422**	**3,324,128**	**25,768,877**	**3,711,490**

	As of December 31,				As of June 30,	
	2014	2015	2016	2016	2017	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)	(RMB'000) (unaudited)	(US$'000) (unaudited)
Current liabilities						
Short-term loans	2,557,000	2,567,990	3,293,300	474,334	3,601,800	518,767
Notes payable	2,250,380	2,088,730	1,713,557	246,804	1,763,198	253,953
Accounts payable	716,849	1,649,442	2,576,665	371,117	3,001,266	432,272
Advances from customers	15,486	306,540	386,499	55,667	412,368	59,393
Employee benefits payable	538,151	852,134	996,136	143,473	684,224	98,549
Taxes and surcharges payable	359,334	760,999	476,634	68,650	525,573	75,698
Interest payable	8,686	20,542	40,929	5,895	107,257	15,448
Dividends payable	14,751	22,151	33,318	4,799	25,317	3,646
Other payables	655,251	2,078,591	2,165,759	311,934	1,826,602	263,085
Non-current liabilities maturing within one year	44,337	46,641	687,643	99,041	399,166	57,492
Other current liabilities	–	–	175,551	25,285	132,501	19,084
Total current liabilities	**7,160,223**	**10,393,760**	**12,545,992**	**1,806,999**	**12,479,274**	**1,797,389**
Non-current liabilities						
Long-term loans	763,581	975,556	1,389,126	200,076	2,937,233	423,050
Bonds payable	198,267	794,040	1,758,225	253,237	2,477,026	356,766
Long-term payable	–	52,288	30,767	4,431	19,499	2,808
Deferred tax liabilities	22,622	21,618	27,616	3,978	24,594	3,542
Other non-current liabilities	*	*	–	–	–	–
Total non-current liabilities	**984,510**	**1,843,502**	**3,205,733**	**461,722**	**5,458,352**	**786,166**
Total liabilities	**8,144,734**	**12,237,261**	**15,751,725**	**2,268,720**	**17,937,625**	**2,583,555**
Shareholders' equity						
Share capital	501,280	501,280	596,205	85,871	621,218	89,474
Capital reserves	278	4,586,650	5,480,436	789,347	5,818,363	838,019
Other comprehensive income	–	–	11,250	1,620	9,000	1,296
Special reserves	80,793	95,557	26,814	3,862	22,324	3,215
Surplus reserves	331,105	–	74,517	10,733	74,517	10,733
General risk reserve	–	856	–	–	–	–
Undistributed profits	3,701,655	139,113	768,589	110,700	892,408	128,534
Total equity attributable to owners of parent company	4,615,112	5,323,457	6,957,810	1,002,133	7,437,830	1,071,270
Non-controlling interests	398,244	582,261	369,887	53,275	393,422	56,665
Total shareholders' equity	**5,013,355**	**5,905,718**	**7,327,697**	**1,055,408**	**7,831,252**	**1,127,935**
Total liabilities & shareholders' equity	**13,158,089**	**18,142,979**	**23,079,422**	**3,324,128**	**25,768,877**	**3,711,490**

Note:

* This amount is less than RMB1,000.

Selected Consolidated Cash Flow Statements Data

	For the year ended December 31,				For the six months ended June 30,		
	2014	2015	2016	2016	2016	2017	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)	(RMB'000) (unaudited)	(RMB'000) (unaudited)	(US$'000) (unaudited)
Net cash flows from/(used in) operating activities	(431,938)	(217,079)	65,856	9,485	30,985	437,450	63,006
Net cash flows (used in) investing activities	(172,078)	(378,618)	(3,036,923)	(437,408)	(308,481)	(2,366,947)	340,911
Net cash flows from financing activities	744,264	765,616	3,499,160	503,984	483,393	2,326,949	335,150
Effect of fluctuation in exchange rate on cash and cash equivalents	49	(933)	262	38	–	–	–
Net increase in cash and cash equivalents	140,297	168,985	478,354	68,897	205,897	397,452	57,245
Closing balance of cash and cash equivalents	981,739	1,150,725	1,629,078	234,636	1,356,622	2,026,531	291,881

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the section entitled "Selected Consolidated Financial and Other Data" and the Group's consolidated financial statements, including the notes thereto, included elsewhere in this offering memorandum. All significant intra-group transactions, balances and unrealized gains on intra-group transactions have been eliminated.

This section includes forward-looking statements that involve risks and uncertainties. All statements, other than statements of historical facts, included in this section that address activities, events or developments which the Company expects or anticipates will or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses the Company made in light of experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate under the circumstances.

The Group's consolidated financial statements were prepared in accordance with PRC GAAP, which differ in certain respects from generally accepted accounting principles in other jurisdictions. In this section of the offering memorandum, references to "2014", "2015" and "2016" refer to the Group's financial years ended December 31, 2014, 2015 and 2016, respectively.

Overview

The Company is a leading private construction company in China, which focuses on building and highway construction projects. The Company has been listed as one of the "Top 250 Global Contractors" by the ENR for 11 times and was ranked 35th in 2017 in terms of overall business performance as measured by many parameters such as operating income, total profits and value of newly-signed contracts. Moreover, the Company was ranked 10th among the "2014 Top 100 Enterprises of China Construction Industry by Competitiveness" by China Construction Industry Association. The Company has been listed as one of the "Top 500 Enterprises in China" for 13 consecutive years since 2005 by China Enterprise Confederation and as one of the "Top 80 Contractors in China" (formerly known as "Top 60 Contractors in China") for 12 consecutive years since 2005 jointly by the ENR and China's Construction Times.

For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, the Group's total operating income was RMB18,788 million, RMB18,745 million, RMB20,278 million (US$2,921 million), RMB8,354 million and RMB8,494 million (US$1,223 million), respectively. During the same periods, the Group's net profit was RMB658 million, RMB740 million, RMB741 million (US$107 million), RMB134 million and RMB318 million (US$46 million), respectively. As of June 30, 2017, the Group's total assets was RMB25,769 million (US$3,712 million).

Key Factors Affecting the Group's Results of Operations and Financial Condition

The Group's results of operations and financial condition are affected by a number of factors, many of which are beyond its control. Set forth below are some of the key factors:

General conditions of the real estate industry and the construction industry

The Group primarily engages in the construction of building and highway construction projects, which are heavily affected by the performance of the real estate industry and the construction industry in China. Economic growth, urbanization and private sector property development in China have been the main driving forces behind the development of the real estate industry and construction industry. Therefore, the Company believes that these factors will continue to have a significant impact on the number of property and infrastructure projects available for construction as well as the pricing and profitability of projects, and in turn will materially affect the Group's financial condition and results of operations.

The real estate industry and the construction industry in China are cyclical in nature, directly correlate with the macroeconomic environment, fixed asset investment levels and degree of urbanization in China and are sensitive to economic fluctuations and market uncertainty. Property prices have significantly increased in China in recent years, which have caused increasing concerns over housing affordability and sustainability of growth of the real estate markets. By contrast of increasing property prices, the supply of new land and the number of new property projects under construction have been gradually decreasing. Although the Group believes its strong project pipeline and a diversified combination of construction projects in a variety of industries will help minimize the negative impact of the fluctuations in the real estate sector in China, a significant deterioration of the conditions in such industry will have materially affect the performance of China's economic condition and other industries in its upstream and downstream reach and accordingly cause a decrease in the demand for the Group's services.

Although the economic growth in China remains stable since the global financial crisis in the second half of 2008, there has been a slowdown in its GDP growth rate in recent years. According to the National Statistics Bureau of the PRC, the annual growth rate of China's GDP in 2015 slowed down to 6.9% on a year-on-year basis compared to 7.3% in 2014, and it further decreased to 6.7% in 2016 on a year-on-year basis, representing the slowest growth in the past 20 years. According to the National Statistics Bureau of the PRC, the growth rate of fixed asset investments in China has also been declining in recent years. This has raised market concerns that the historic rapid growth of the economy of China may not be sustainable. The future changes in the macroeconomic environment, fixed asset investment levels and degree of urbanization in China are affected by many factors beyond the Group's control. It is difficult for the Group to predict how various industries in China, including the real estate and construction, will be affected in the future.

Construction progress and payment schedule of the Group's projects

In 2014, 2015 and 2016 and for the six months ended June 30, 2017, substantially all of the Group's operating income was derived from its building construction business. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, operating income from the Group's building construction segment was RMB17,960 million, RMB18,048 million, RMB19,485 million (US$2,806 million), RMB8,046 million and RMB8,114 million (US$1,169 million), respectively, representing 95.6%, 96.3%, 96.1%, 96.3% and 95.5%, respectively, of the Group's total operating income for the relevant periods. As such, the Group's operating income is affected by the number of projects under construction during any particular period and the construction progress of the relevant projects.

The Group normally receives progress payments by reference to payment terms under the relevant construction contracts for its projects in China, which account for a substantial majority of the Group's construction business in terms of both construction area and construction output value. At the construction stage, the owner of a project generally pays for 70%-85% of the actual construction costs incurred by the Group on a cumulative basis. After completion of construction and upon receipt of the acceptance and compliance certificate of construction completion, the project owner is normally required to pay 85%-90% of the total contract value of the project (including the amounts the Group has received at the construction stage). Upon settlement after audit of construction costs and any agreed adjustment to the original contract value, the project owner will normally pay 95%-98% of the agreed settlement amount (including all the amounts the Group has received prior to settlement). The remaining 2%-5% is typically withheld by the project owner for one to five years, determined on a case-by-case basis, as quality warranty for the relevant project. If there is any material change to the payment terms of the Group's construction contracts with its key customers, the Group's results of operations, financial condition and cash flow may be materially affected.

Cost fluctuations associated with raw material and labor in construction projects

The major components of the Group's operating costs are raw material costs and direct labor costs. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, the Group's raw material costs amounted to RMB9,543 million, RMB9,123 million, RMB9,825 million (US$1,415 million), RMB4,071 million and RMB4,153 million (US$598 million), which accounted for 57.2%, 54.8%, 54.4%, 54.3% and 54.8% of its operating costs, respectively. During the same periods, its direct labor costs amounted to RMB3,468 million, RMB3,458 million, RMB3,946 million (US$568 million), RMB1,593 million and RMB1,631 million (US$235 million), which accounted for 20.8%, 20.8%, 21.8%, 21.2% and 21.5% of its operating costs, respectively. Fluctuations in raw material and direct labor costs may materially affect the Group's operating profit. Salary and wage costs have increased in China in recent years, and they may continue to increase in the near future due to increasing awareness of employee protection. The Company believes that increasing labor cost and shortage in labor will continue to have a material impact on the business and performance of many companies operating in the labor-intensive industries, such as construction, logistics and manufacturing. Further, prices of the principal raw materials used in the construction of the Group's projects have fluctuated in recent years as a result of changing demand and supply dynamics, which are in turn affected by inflation, oversupply and many other factors.

When the Group engages third-party subcontractors, it pays the relevant subcontractors contracting fees, which consist of the costs of construction and raw materials and labor costs incurred by the subcontractors. Depending on the terms of the subcontracting contracts, the subcontractors may be allowed to renegotiate the subcontracting fees with the Group if there is a significant increase in costs of raw materials. If the Group is not able to pass along any increase in the subcontracting costs due to increased costs of raw materials incurred by its subcontractors, the Group's overall construction costs and operating profit may be affected. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, the Group's subcontracting costs amounted to RMB1,542 million, RMB1,657 million, RMB1,918 million (US$276 million), RMB769 million and RMB779 million (US$112 million), respectively.

The Group prices its construction projects based on its overall cost estimate. Under the terms of certain of its construction contracting contracts, the prices as agreed in the contracts are fixed. The Group's cost estimate is based primarily on the availability and costs of raw materials and equipment, subcontracting costs, project schedule, labor costs, the geographical location and environmental conditions of the project site, as well as the complexity and scale of the construction project, among other factors. If the Group is unable to accurately estimate its costs when bidding or negotiating its contracts, its profitability may be adversely affected. In addition, the actual costs are likely to fluctuate during the course of implementation of the construction project. While certain of the Group's contracts with its project owners build in clauses regarding allocation of risk for price fluctuation of raw materials, it may not be able to pass on the full amount of increased cost to its customers.

Access to funds and cost of financing

Interest-bearing bank borrowings and proceeds of onshore debt issuance in China are an important source of capital resources to fund the Group's business. As of June 30, 2017, the Group's total borrowings were RMB9,435 million (US$1,359 million), of which RMB4,001 million (US$576 million) of borrowings were short-term borrowings. See "Capitalization and Indebtedness". Interest rates for loans from commercial banks may be adjusted pursuant to PBOC benchmark interest rate from time to time and may fluctuate subject to various factors beyond its control. In the event that a substantial part of the Group's bank loans bear interest rates linked to the benchmark lending rates published by PBOC, a material fluctuation in the benchmark lending rates may have a material impact on the Group's interest expenses and payables under its bank loans and in turn negatively affect the Group's financing costs and results of operations.

The availability of bank and other borrowings is subject to various factors beyond the Group's control, including prevailing capital market conditions, credit availability and interest rates. If market conditions worsen, the availability, terms and cost of bank and other borrowings may be adversely affected, which would disrupt the Group's ability to renew existing bank and other borrowings or obtain new bank and other borrowings for its operations. The Group's access to funds and cost of financing are also affected by restrictions imposed from time to time by the PRC government on lending for property development and construction related industry.

VAT

Pursuant to Circular 36 issued and implemented by the MOF and the SAT, which came into effect on May 1, 2016, PRC tax authorities have started imposing VAT on revenues from various service sectors, including real estate, construction, financial services and insurance, as well as other lifestyle service sectors, replacing the business tax that co-existed with VAT for over 20 years.

Since the issuance of Circular 36, MOF and SAT have subsequently issued a series of tax circulars in March and April 2016 to implement the collection of VAT on revenues from construction, real estate, financial services and lifestyle services. As a result of Circular 36, the Group's business taxes and surcharges significantly decreased to RMB232 million (US$33 million) for the year ended December 31, 2016 compared to RMB638 million for the year ended December 31, 2015. Business tax of the Group decreased to RMB170 million (US$24 million) for the year ended December 31, 2016 compared to RMB559 million for the year ended December 31, 2015.

The replacement of business implemented by Circular 36 also had an impact on the Group's gross profit margin. For example, the Group's gross profit margin decreased from 11.14% for the year ended December 31, 2015 to 10.85% for the year ended December, 2016. This decline was due to a change in the Group's pricing policies as a result of Circular 36 to the effect that business tax was not included in the contract value of certain construction contracts of the Group after the implementation of Circular 36.

The replacement of business tax by VAT in the real estate and construction industries is relatively recent and the detailed implementation rules under Circular 36 are still being formulated by the relevant authorities, the Group is still in the process of assessing the comprehensive impact of the new VAT regime on its tax burden, its revenues and results of operations, which remains uncertain.

Regulatory environment in the real estate industry and construction industry in China

The Group's business is susceptible to adverse changes in national or local policies relating to the PRC real estate industry and construction industry, including those that control the supply of land for property development, project financing and taxation. In recent years, the PRC government implemented a large number of regulations and policies to cool the real estate market and the inflation of property prices, such as limitation on the purchase of property outside the province of registered residence, restrictions on real estate loans and higher interest rates for second-hand property transactions, among others. More recently, due to a significant increase in property prices starting in early 2016, PRC government has implemented measures to suppress the level of increase in property prices, such as tightening mortgage restrictions on second home purchases, in many cities in China, including Shanghai where the Group has substantial operations. The Group believes that these policies will have the effect of controlling and discouraging the investments in and development of real estate projects, and will in turn decrease the number of projects for construction and the Group's business, operating income and profit.

Changes in product mix

The gross profit margins of the Group's construction projects vary by the types of properties it undertakes. The Group's gross profit margin is affected by the proportion of operating income attributable to its construction projects with higher gross margins compared to operating income attributable to lower gross margin projects. Historically, substantially all of the Group's construction

projects it undertook were building projects. In recent years, the Group commenced its construction of highway projects, which generally have higher gross profit margin than the construction of building projects. With its relatively diversified business portfolio, the Group aims to undertake more projects with high profit margin and develop a more profitable product mix. If the Group is unable to successfully develop and execute such strategies, its profit margins may decline as the proportion of its less profitable projects increases.

Acquisition and disposal of subsidiaries

The Group's financial position and results of operations may be affected by its acquisition of companies and disposal of its subsidiaries. In 2016, the Company transferred all the equity interest it held in Nantong Chenyukun Investment Co., Ltd.(南通宸裕焜投資有限公司), Zhuhai Jianrong Investment Holdings Co., Ltd.(珠海建融投資控股有限公司), Huai'an Dongqi Property Co., Ltd.(淮安東祺置業有限公司), Changshu Changhe Property Co., Ltd.(常熟長賀置業有限公司), Shanghai Hongmai Real Estate Co., Ltd.(上海鴻麥房地產有限公司), Nantong Yuheng Property Co., Ltd.(南通裕恒置業有限公司) and Jiangsu Nantong Sanjian Real Estate Development Co., Ltd.(江蘇南通三建房地產開發有限公司) and 90% equity interest in Nantong Sanjian Construction Services Co., Ltd.(南通三建建築勞務有限公司) as a result of the management's decision to no longer engage in the real estate development business. The Company also sold all the equity interest it held in Haimen Sanjian Rural Microfinance Co., Ltd.(海門市三建農村小額貸款有限公司). As a result, the Group's investment income increased from RMB16 million for the year ended December 31, 2015 to RMB52 million (US$7 million) for the year ended December 31, 2016, of which RMB33 million (US$5 million) was attributable to income from disposal of long-term equity investment. Moreover, the Company has also acquired a number of companies over the years, such as its acquisition of Anhui Luwang in February 2014.

Going forward, the Group may continue to carry out acquisitions activities depending on its strategic plan and business needs. Any major acquisition or disposal of assets may have a material impact on the Group's financial position and results of operations, and may cause the Group's financial information to be incomparable with its historical financial statements to the extent of the line items materially affected.

Seasonality

The Group has experienced seasonality in its construction contracting business. The Group's revenue from the first quarter is typically lower than that from other quarters. This seasonality is largely due to decreased construction activities in the northern regions of the PRC in the winter and to the effect of the Lunar Chinese New Year, during which some of the Group's projects are halted for the holiday. Therefore, the Group's interim results of operations are not necessarily indicative of its annual results of operations.

Critical Accounting Policies, Judgments and Estimates

Critical accounting policies are those accounting policies that are reflective of significant judgments and uncertainties and that potentially yield materially different results under different assumptions and conditions.

When reviewing the Group's consolidated financial information, you should consider (i) its selection of critical accounting policies; and (ii) the judgment and other uncertainties affecting the application of such policies. The Group believes the following accounting policies involve the most significant judgment and estimates used in the preparation of its consolidated financial information. The Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results

may differ from these estimates. For more information regarding its significant accounting policies and the summary of significant accounting judgments and estimates, see Note III to its audited consolidated financial statements included elsewhere in this offering memorandum.

The Group regularly evaluates the critical accounting estimates and key judgments based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

Recognition of Revenue

Operating income of the Company mainly includes revenue from construction contract, revenue from sales of goods, revenue from rendering of service and revenue from transfer of asset use right, for which the recognition principles are as follows:

Recognition of construction contract revenue

As to the construction contract whose beginning and completion are in the same accounting year, the Company recognizes the contract revenue and contract expense.

As to the construction contract whose beginning and completion are in different accounting years, if the result of the construction contract can be estimated reliably at the balance sheet day, the Group should recognize contract revenues and contract expenses using percentage-of-completion method at the balance sheet date.

When the following conditions are satisfied at the same time, the result of the construction contract whose construction price is fixed can be estimated reliably:

(a) Total revenue of the contract can be measured reliably;

(b) Economic benefits related to the contract can flow into the Group probably;

(c) Contract cost actually incurred can be identified clearly and measured reliably; and

(d) Percentage-of-completion and cost that will happen to complete the contract can be determined reliably.

When the following conditions are satisfied at the same time, the result of the cost mark-up contract can be estimated reliably:

(a) Economic benefits related to the contract can flow into the Group probably; and

(b) Contract cost actually incurred can be identified clearly and measured reliably.

If the construction cost starts and completes in different accounting years, but the result of the construction contract cannot be estimated reliably, the Group recognizes contract revenues and contract expenses separately depending on the following conditions:

(a) If the contract costs can be recoverable, contract revenues are recognized according to actual contract costs recoverable and contract costs are recognized as contract expenses during the current period when they occur.

(b) If the contract costs cannot be recoverable, recognize contract costs as contract expenses immediately when they occur and do not recognize contract revenues.

(c) If total contract costs estimated will exceed total contract revenues estimated, the Group recognizes the loss estimated as expenses in the current period.

Recognition principals of revenue from sales of goods

Revenue from sales of goods is recognized when the Group has transferred significant risks and rewards of ownership of the goods to the purchaser; the Group retains neither continuing managerial involvement usually related to the ownership nor effective control over the sold goods; revenues can be measured reliably; the relevant economic benefits are highly likely to flow into the Group; and the relevant costs incurred or to be incurred can be measured reliably.

Recognition principals of revenues of rendering of services

(1) Recognition principals of revenue from rendering of service under the circumstance that the outcome of service transactions can be estimated reliably

The Group recognizes revenue from rendering of service using the percentage-of-completion method on the balance sheet date when the outcome of service transactions can be estimated reliably.

When the amount of revenues can be measured reliably, related economic interests are likely to flow into the Group, schedule of completion of the transitions can be measured reliably and the cost of transactions incurred or to be incurred can be measured reliably, the outcome of service transactions can be estimated reliably.

(2) Recognition principals of revenue from rendering of service under the circumstance that the outcome of service transactions cannot be estimated reliably.

If the outcome of rendering of services on the balance sheet date cannot be measured reliably, the revenues from rendering of services shall be recognized according to the following three conditions:

(a) If the labor costs that have already incurred can be fully compensated, the revenues from rendering of services are recognized at the amounts recovered or expected to be recovered and the labor costs that have already incurred shall be carried forward;

(b) If the labor costs that have already incurred can be partially compensated, the revenues from rendering of services are recognized at the recoverable amounts of compensated labor costs and the labor costs that have already incurred shall be carried forward;

(c) If it is expected that all the labor costs that have already incurred cannot be compensated, the labor costs that have already incurred are included into the current profit and loss (costs of sales) and the revenues from rendering of services are not recognized.

Recognition principals of revenue from transfer of asset use right

The Company recognizes revenue from transfer of asset use right when the relevant economic benefits are highly likely to flow into the Group and the amount of revenue can be reliably measured.

Inventory

Classification of Inventory

Inventories are classified as: goods in transit, raw materials, revolving materials (including packing materials and low-cost consumables), goods in progress (production costs), finished products (stock commodities), property development cost, developed real-estate products and consumable biological assets, among others.

Measurement method of dispatched inventories

Dispatched materials and stock commodities are accounted for by using weighted average method, dispatched construction is accounted for by using specific identification method, developed real-estate products and consumable biological assets are accounted for by using weighted average method.

Basis to determine net realizable values of inventories and method of provision for diminution value of inventories

(3) Determination basis of net realizable values of inventories

In normal operation process, for merchandise inventories held directly for sale, including stock commodities (finished goods) and materials for sale, their net realizable values are determined at their estimated selling prices minus their estimated selling expenses and relevant taxes and surcharges.

In normal operation process, for material inventories that need further processing, their net realizable values are determined at the estimated selling prices of finished goods minus estimated costs to completion, estimated selling expenses and relevant taxes and surcharges.

For inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price. If the quantities of inventories specified in the sales contracts are less than the quantities held by the Group, the net realizable value of the excess portion of inventories shall be based on general selling prices.

The materials held for production shall be measured at cost if the net realizable value of the finished products is higher than the cost. If a decline in the value of materials shows that the net realizable value of the finished products is lower than the cost, the materials shall be measured at the net realizable value.

(4) Provision for diminution in value of inventory

Provisions for diminution in value of inventory are made at the lower of costs or net realizable values on a single basis.

For inventories that have large quantities but low value, the Group provides for diminution in value of inventory on a category basis.

For inventories that are related to product ranges produced and sold in the same district or used for the same or similar ultimate purpose and are difficult to be measured separately from other inventories, the Group provides for diminution in value of inventory on a consolidation basis.

Inventory counting

The Group adopts perpetual inventory system and takes physical inventory counts on a regular basis.

Amortization method of revolving materials

(1) Amortization method of low-cost consumables

Low-cost consumables are amortized in full at once Amortization method of packaging materials.

(2) Amortization method of packing materials

Packing materials are amortized in full at once when fetched for use by the Group.

Changes in number of subsidiaries during the reporting period

Acquisition of subsidiaries during the reporting period

(1) Treatment of acquiring subsidiaries from business combination under common control during the reporting period

During the reporting period, if the Group acquires subsidiaries from the business combination under common control, the opening balance in the consolidated balance sheet shall be adjusted. The income, expenses and profits of the newly acquired subsidiaries from the beginning to the end of the reporting period shall be included in the consolidated income statement. The cash flows of the newly acquired subsidiaries from the beginning to the end of the reporting period shall be included in the consolidated statement of cash flows.

(2) Treatment of acquiring subsidiaries from business combination not under common control during the reporting period

During the reporting period, if the Group acquires subsidiaries from the business combination not under common control, the opening balance in the consolidated balance sheet shall not be adjusted. The income, expenses and profits of the newly acquired subsidiaries from the acquisition date to the end of the reporting period shall be included in the consolidated income statement. The cash flows of the newly acquired subsidiaries from the acquisition date to the end of the reporting period shall be included in the consolidated statement of cash flows.

Treatment of disposing subsidiaries during the reporting period

During the reporting period, if the Group disposes subsidiaries, the opening balance in the consolidated balance sheet shall not be adjusted. The income, expenses and profits of the newly disposed subsidiaries from the beginning to the disposal date shall be included in the consolidated income statement. The cash flows from the beginning to the disposal date shall be included in the consolidated statement of cash flows.

Receivables

Recognition criteria and provision method of bad debts of individually significant receivables

(1) Recognition criteria of individually significant receivables

Individually significant receivables refer to accounts receivable whose closing balances are over 10 million.

(2) Provision method of individually significant receivables

On the balance sheet date, the Group separately conducts impairment tests on those individually significant receivables. If there is any objective evidence of impairment, an impairment loss is recognized and a provision for bad debt is made, according to the difference of the present value of estimated future cash flows in short of the book value; Individually significant receivables that are proved to be not impaired according to the tests shall be incorporated into other individually insignificant receivables, and their provisions for bad debts shall be made by using the aging analysis method based on their closing balances.

Objective evidence of impairment incurred to receivables includes: (1) the debtor has significant financial difficulty; (2) the debtor violates contractual terms (such as the breach of contract or delay in repaying interest or principal); (3) a concession is made to the debtor in financial difficulty after considering economic or legal reasons; (4) the debtor is likely to face bankruptcy or other debt restructuring.

Receivables whose bad debt provisions are made by portfolio

(1) Basis to determine portfolio

Aging portfolios

Receivables that are individually significant but not accrued bad debt provisions after separate tests, and receivables that are individually insignificant after deduction of bad debt provisions separately made, shall all be classified into portfolios of receivables with similar credit risk characteristics by aging.

(2) Method of making provision for bad debt by portfolio

As for aging portfolios, after aging analysis, the Company makes bad debt provisions at the following proportions:

Aging	Proportion of provision for accounts receivable	Proportion of provision for other receivables
	(%)	(%)
Within 1 year (inclusive)	3	3
1-2 years	10	10
2-3 years	20	20
3-4 years	30	30
4-5 years	50	50
Over 5 years	100	100

Accounts receivable that are individually insignificant but separately accrued bad debt provisions

Individually insignificant receivables refer to accounts receivable whose single amount is less than 10 million.

The Group carries out separate impairment tests on receivables that are individually insignificant but have the following characteristics (such as receivables involved in dispute or litigation with the debtor and requiring arbitration; and receivables for which there are clear indications that the debtor is unable to fulfill the repayment obligations). If there is any objective evidence of impairment, the Group shall recognize the impairment loss and make the bad debt provision according to the difference of the present value of future cash flows in short of the book value. Meanwhile, for receivables that are individually insignificant after the bad debt provisions separately made are deducted, their bad debt provisions shall be made according to principles applied to portfolios of receivables with similar credit risk characteristics by aging.

Fixed Assets

Recognition of Fixed Assets

Fixed assets refer to tangible assets held for the purpose of producing commodities, providing services, renting or business management with useful life exceeding one accounting year. Fixed assets are recognized when the following criteria are satisfied simultaneously:

(a) It is probable that the economic benefits relating to the fixed assets will flow into the Group;

(b) The cost of the fixed assets can be measured reliably.

Depreciation of Fixed Assets

(1) Except for the fixed assets that have been fully depreciated but are still in use and the land, the Group makes provisions for depreciation of all fixed assets.

(2) Depreciation of fixed assets of the Group is provided on a straight-line basis from the month immediately following the month when they reach the working condition for their intended use. The depreciation amount and depreciation rate shall be calculated and recognized according to the category, estimated useful lives and estimated net residual value rate of fixed assets and respectively included into the costs of the relevant assets or the current profit and loss by purpose.

(3) Category, estimated useful lives, estimated net residual value rate and annual depreciation rate of fixed assets are listed as follows:

Category of Fixed Asset	Estimated Useful Life	Estimated Residual Value Rate	Annual Depreciation Rate
	(Year)	(%)	(%)
Buildings & Constructions	20	5	4.75
Machinery Equipment	5-10	5	19.00-9.50
Transportation Equipment	4	5	23.75
Electronic & office Equipment	3	5	31.67

When making provision for impairment on fixed assets, the Group shall recalculate the depreciation rate and depreciation amount according to the book value, the estimated net residual value rate and useful lives of the fixed assets.

On the balance sheet date, the Group reviews the estimated useful life, estimated net residual value rate and depreciation method of the fixed assets. If there is any change, they shall be treated as changes in accounting estimate.

(4) For decoration costs of fixed assets that are satisfied with capitalization conditions, depreciation is provided for on a straight-line basis separately, during the shorter period of the two decoration periods and useful lives of the fixed assets.

(5) For fixed assets acquired through finance lease, if the ownership of the leasing assets can be determined reasonably, make depreciations during the useful life of the leasing assets. If the ownership of the leasing assets cannot be determined reasonably, make depreciations during the shorter period of the lease term and the useful life of the leasing assets.

Recognition Standard, Valuation Method and Depreciation Method for Fixed Assets Acquired under Financing Lease

(1) Recognition standard for fixed assets acquired under financing lease

At the inception of the lease, the Group recognizes the leased fixed assets meeting the standards for financial leases as fixed assets acquired under financing leases.

(2) Valuation method for fixed assets acquired under financing lease

At the inception of the lease, the Group shall state the assets acquired under financing lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments, as well as the initial and direct expenses occurred, recognize a long-term payable at the amount of the minimum lease payments, and shall charge the difference of the lower of the fair value of the leased assets or the present value of the minimum lease payments and the minimum lease payments to unrecognized finance expenses. Unrecognized finance expenses shall be amortized at the effective interest rate method in each period during the lease term.

(3) Depreciation for Fixed Assets Acquired under Financing Lease

Adapt the same depreciation method as the one used on other fixed assets owned by the Group. If there is reasonable assurance that the Group will obtain the ownership of the leased assets when the lease term expires, the leased assets should be depreciated over its useful life; if

there is no reasonable assurance that the Group will obtain the ownership of the leased assets when the lease term expires, the leased assets should be depreciated over the shorter of the lease term or the useful life of the leased assets.

Deferred Tax

The Group adopts the balance sheet liability method to account for income tax.

Recognition of deferred tax assets or deferred tax liabilities

The Group determines tax base on acquisition of assets and liabilities. On the balance sheet date, the Group analyzes and compares the book value of the assets and liabilities with the tax base. If there are temporary differences between book value of the assets and liabilities and tax base, under the circumstance that the temporary differences incur in the current period and meet the recognition criteria, the Group shall respectively recognize taxable temporary differences or deductible temporary differences as deferred tax liability or deferred tax assets.

Recognition basis of deferred tax assets

Deferred tax assets incurred from deductible temporary differences are recognized to the extent that they shall not exceed the taxable income probably obtained in future periods to be against the deductible temporary difference. In determining the taxable income probably obtained in future periods, including the taxable income from normal production and operation activities in future periods and the increase of taxable income due to the reversal of taxable temporary differences during the period of reversal of deductible temporary differences.

For deductible losses and tax credits that can be carried forward to the next years, the Group is likely to recognize the corresponding deferred tax assets to the extent that the assets shall not exceed the taxable income in the future for deducting deductible losses and tax credits and that are probably obtained by the Group.

On the balance sheet date, the Company reviews the book value of deferred tax assets. If it is probably unable to obtain sufficient taxable income in the future period to offset the benefits of the deferred tax assets, the Group shall write down the book value of the deferred tax assets; when it is probable to obtain sufficient taxable income, the write-downs shall be reversed.

Recognition basis of deferred tax liabilities

The Group recognizes the current and previous taxable temporary differences payable but unpaid as deferred tax liabilities. But they exclude temporary differences arising from goodwill; transactions which are formed other than from business combinations and neither affect the accounting profits nor affect taxable income at the time of occurrence.

Measurement of deferred tax assets or deferred tax liabilities

On the balance sheet date, the deferred tax assets and deferred tax liabilities are measured at the applicable tax rate during the period of expected recovery of the assets or liquidation of the liabilities in accordance with the provisions of the tax law.

Where the applicable tax rate changes, the Group measures deferred tax assets and deferred tax liabilities recognized, except for those incurred in transactions or events directly recognized in the owner's equity, of which the effect shall be included in the income tax expenses in the current period when the rate changes.

When the Company measures the deferred tax assets and deferred tax liabilities, the tax rate and tax base in consistent with the expected recovery of assets or liquidation of liabilities shall be adopted.

Deferred tax assets and deferred tax liabilities of the Group shall not be discounted.

Description of Selected Line Items of Consolidated Income Statements

Total Operating Income

The Group derived its operating income primarily from its principal businesses including building construction and highway construction businesses in 2014, 2015 and 2016 and the six months ended June 30, 2017. Substantially all of its operating income were generated from building construction business for the same periods. The Group primarily undertook construction projects as a general contractor, where it performed all major aspects of a construction project, including building construction, foundation works, curtain wall construction, building decoration, fire proofing, landscape engineering, and indoor and outdoor ancillary facilities construction projects.

The Group's operating income from building construction is primarily affected by the number of projects undertaken by the Group and the timing of collection of the Group's construction project and retention amounts. The Group normally receives progress payments by reference to payment terms under the relevant construction contracts for its projects in China. See " – Key Factors Affecting the Group's Results of Operations and Financial Condition – Timing of collection on the Group's construction projects and retention amounts."

The Group also generated its operating income from other businesses, such as trading as well as architectural designing businesses.

By business segment

The following table sets forth a breakdown of the Group's total operating income by business segment for the periods indicated below.

	For the year ended December 31,							For the six months ended June 30,				
	2014		2015		2016			2016		2017		
	Operating Income	% of Total	Operating Income	% of Total	Operating Income	Operating Income	% of Total	Operating Income	% of Total	Operating Income	Operating Income	% of Total
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(US$'000) (unaudited)	(%)	(RMB'000) (unaudited)	(%)	(RMB'000) (unaudited)	(US$'000) (unaudited)	(%)
Building Construction	17,959,789	95.6	18,046,929	96.3	19,484,501	2,806,352	96.1	8,045,700	96.3	8,114,315	1,168,705	95.5
– Civil building[1]	14,152,052	75.4	14,808,105	79.0	16,033,314	2,309,278	79.1	6,699,442	80.2	6,680,626	962,210	78.7
– Industrial building[2]	1,365,373	7.3	1,557,985	8.3	1,690,551	243,490	8.3	630,735	7.6	654,214	94,226	7.7
– Public facilities[3]	1,651,832	8.8	1,181,962	6.3	1,226,524	176,656	6.1	525,055	6.3	578,913	83,381	6.8
– Other projects[4]	790,532	4.2	498,878	2.7	534,112	76,928	2.6	190,468	2.3	200,562	28,887	2.4
Highway Construction	804,589	4.3	469,309	2.5	647,985	93,329	3.2	242,860	2.9	301,766	43,463	3.6
Other Business[5]	23,682	0.1	228,369	1.2	145,389	20,940	0.7	65,100	0.8	77,441	11,154	0.9
Total Operating Income	**18,788,059**	**100.0**	**18,744,607**	**100.0**	**20,277,876**	**2,920,622**	**100.0**	**8,353,660**	**100.0**	**8,493,522**	**1,223,322**	**100.0**

Notes:

(1) Civil building construction projects mainly include residential buildings and office buildings.

(2) Industrial building construction projects mainly include factories and warehouses.

(3) Public facilities construction projects mainly include buildings for educational, medical, cultural, sporting or recreational purposes (e.g. schools and hospitals) and municipal and public facilities.

(4) Other projects mainly include mechanical and electrical installations and decoration projects.

(5) Other business comprise mainly trading business and architectural designing business.

Building Construction

A substantial majority of the Group's operating income was generated from its building construction business, which consists of the construction of civil building projects, industrial building projects, public facilities projects and other projects (such as mechanical and electrical installations and decoration projects).

Operating income of the Group's building construction business was mainly contributable to its civil building construction projects. In 2014, 2015 and 2016 and for the six months ended June 30, 2017, the completed construction area of the Group's building construction projects was approximately 11.57 million sq.m. 11.42 million sq.m., 11.22 million sq.m. and 5.43 million sq.m., respectively. As of June 30, 2017, the backlog of the Group's building construction projects was RMB42,544 million (US$6,128 million).

Highway Construction

The Group undertakes highway construction projects mainly through Anhui Luwang, which specializes in construction of highway and municipal facilities and maintenance of highways and bridges. As of June 30, 2017, the backlog of the Group's highway construction project was approximately RMB24 million (US$4 million).

Other Business

The Group is also engaged in trading of construction materials and provides architectural design services. The Group's trading business mainly involves trading of a vast variety of construction-related materials, including timber, concrete, steel and paint. The Group also holds the Class-A Engineering Design Qualification and it has provided design services relating to many projects ranging from office buildings, hotels, schools, residences to exhibition halls and hospitals in China since its establishment in 2007.

By geographic distribution

The Group's operations historically concentrate on the eastern coastal areas of China. Its business performances in major provinces and municipalities in the coastal areas of China have grown steadily over the years. The Company has shifted its focus on business development in central and western parts of China in recent years to maintain continuous and balanced growth of its businesses.

The following table sets forth a breakdown of the Group's total operating income by geographic distribution for the periods indicated:

	For the year ended December 31,							For the six months ended June 30,				
	2014		2015		2016			2016		2017		
	Operating Income	% of Total	Operating Income	% of Total	Operating Income	Operating Income	% of Total	Operating Income	% of Total	Operating Income	Operating Income	% of Total
	(RMB'000)	(%	(RMB'000)	(%)	(RMB'000)	(US$'000) (unaudited)	(%)	(RMB'000) (unaudited)	(%)	(RMB'000) (unaudited)	(US$'000) (unaudited)	(%)
Shandong Province	5,075,216	27.0	4,931,871	26.3	5,812,684	837,201	28.7	2,320,627	27.8	2,294,950	330,542	27.0
Jiangsu Province	4,773,788	25.4	4,670,425	24.9	4,194,683	604,160	20.7	1,558,832	18.7	1,619,715	233,288	19.1
Shanghai	3,238,555	17.2	2,941,309	15.7	1,962,378	282,641	9.7	821,165	9.8	834,064	120,130	9.8
Anhui Province	941,112	5.0	1,059,100	5.7	1,276,608	183,870	6.3	583,423	7.0	591,998	85,265	7.0
Henan Province	196,876	1.1	344,355	1.8	1,102,861	158,845	5.4	392,718	4.7	774,609	111,567	9.1
Tianjin	661,324	3.5	486,321	2.6	828,396	119,314	4.1	401,009	4.8	381,359	54,927	4.5
Beijing	1,169,341	6.2	1,030,118	5.5	799,106	115,095	3.9	338,923	4.1	348,234	50,156	4.1
Other regions	2,088,632	11.1	2,561,134	13.7	4,129,591	594,785	20.4	1,843,916	22.1	85,785	12,356	1.0
Overseas	643,215	3.4	719,976	3.8	171,570	24,711	0.9	93,047	1.1	1,562,808	225,091	18.4
Total Operating Income	**18,788,059**	**100.0**	**18,744,607**	**100.0**	**20,277,876**	**2,920,622**	**100.0**	**8,353,660**	**100.0**	**8,493,522**	**1,223,322**	**100.0**

Operating Costs

The Group's operating costs primarily consists of direct labor costs, raw material costs, machinery utilization costs, other direct costs, indirect costs and subcontracting costs incurred relating to the construction of its projects. The following table sets forth a breakdown of the Group's operating costs by component for the periods indicated:

	For the year ended December 31,							For the six months ended June 30,				
	2014		2015		2016			2016		2017		
	Operating Costs	% of Total	Operating Costs	% of Total	Operating Costs	Operating Costs	% of Total	Operating Costs	% of Total	Operating Costs	Operating Costs	% of Total
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(US$'000) (unaudited)	(%)	(RMB'000) (unaudited)	(%)	(RMB'000) (unaudited)	(US$'000) (unaudited)	(%)
Operating costs of principal businesses												
– Direct labor costs	3,468,371	20.8	3,457,568	20.8	3,945,524	568	21.8	1,592,639	21.2	1,630,925	234,902	21.5
– Raw material costs	9,543,022	57.2	9,123,218	54.8	9,825,417	1,415	54.4	4,070,739	54.3	4,153,443	598,220	54.8
– Machinery utilization costs	538,598	3.2	638,854	3.8	654,452	94	3.6	287,197	3.8	282,552	40,696	3.7
– Other direct costs	621,972	3.7	707,431	4.2	751,331	108	4.2	321,512	4.3	311,338	44,842	4.1
– Subcontracting costs	1,542,425	9.2	1,656,707	10.0	1,917,881	276	10.6	769,091	10.3	779,481	112,269	10.3
– Indirect costs	960,472	5.8	919,900	5.5	980,472	141	5.4	418,487	5.6	417,390	60,117	5.5
Operating costs of non-principal businesses	15,822	0.1	153,080	0.9	2,640	1	*	37,330	0.5	678	98	*
Operating costs	**16,690,682**	**100.0**	**16,656,759**	**100.0**	**18,077,717**	**2,604**	**100.0**	**7,496,995**	**100.0**	**7,575,807**	**1,091,143**	**100.0**

*Note: * means less than 0.1%.*

Direct labor costs mainly represent salaries, allowances and subsidies paid to employees directly engaged in production. Direct labor costs are mainly affected by the average salary and wages paid to the Group's construction workers and the scale and nature of construction projects which affect the number of workers required. Labor costs have significantly increased in China in recent years, and they may continue to increase in the near future due to increasing awareness of employee protection. See "Risk Factors – Risks Relating to the Group's Business and Construction Industry – An increase in labor costs will increase the Group's operating costs and may have an adverse impact on its operating profit."

Raw material costs mainly represent the costs of construction and raw materials used in the construction of the Group's projects, such as concrete, steel, glass, construction plastics and composite materials. Raw material costs are primarily affected by the average price and market supply of major construction materials.

Machinery utilization costs mainly represent the machine leasing fees, fees for on-site working of large-scale machinery and fuel costs. The Group leases some of the machine used in its project construction, particularly those expensive machine, as its effort to transform itself into an asset light business model.

Subcontracting costs mainly represent the contracting fees the Group paid to its subcontractors for the subcontracted construction services. Subcontracting fees are mainly determined based on the nature of work subcontracted and on a case-by-case basis. The contracts with subcontractors normally allows the Group and its subcontractors to renegotiate the contracting fees if cost of construction materials that are borne by the subcontractors fluctuate by more than 5% of the agreed prices.

Other direct costs mainly represent environmental protection fees, civilized construction fees, safe construction fees, temporary facility fees, overnight construction fees and secondary handling fees.

Indirect costs mainly represent salary, bonus and subsidy of management personnel of construction units, water and electricity fees, office fees and transportation and accommodation expenses.

Gross Profit and Gross Profit Margin

Gross profit represents operating income less operating cost. Gross profit margin equals to gross profit divided by operating income and multiplied by 100%. The Group's gross profit margin is affected many factors, such as product mix and pricing policies of the Group. Highway projects generally have higher gross profit margin than building projects due to the nature of work involved in the construction projects. In 2016, the Group changed its pricing policies due to the replacement of business tax with VAT as a result of the implementation of Circular 36, and this change had caused a slight decrease in the Group's gross profit margin of all major types of projects in 2016.

The following table sets forth a breakdown of the Group's gross profit and gross profit margin by business segments and project type for the periods indicated:

	For the year ended December 31,							For the six months ended June 30,				
	2014		2015		2016			2016		2017		
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit	Gross Profit Margin
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(US$'000)	(%)	(RMB'000) (unaudited)	(%)	(RMB'000) (unaudited)	(US$'000) (unaudited)	(%)
Building Construction												
Civil building	1,488,796	10.52	1,508,946	10.19	1,616,309	232,797	10.08	640,775	9.6	643,814	92,729	9.6
Industrial building	166,985	12.23	188,984	12.13	178,033	25,642	10.53	61,921	9.8	64,005	9,219	9.8
Public facilities	201,028	12.17	143,963	12.18	131,017	18,870	10.68	54,002	10.3	55,008	7,923	9.5
Other projects	89,963	11.38	56,972	11.42	60,060	8,650	11.24	18,032	9.5	19,018	2,739	9.5
Highway Construction	142,090	17.66	106,064	22.60	71,991	10,369	11.10	53,983	22.2	59,106	8,513	19.6
Others	8,515	35.96	82,919	36.40	142,749	20,560	98.20	27,971	43.0	76,764	11,056	99.1
Total	2,097,377	11.16	2,087,848	11.14	2,200,158	316,889	10.85	856,684	10.3	917,715	132,179	10.8

Business Taxes and Surcharges

The Group's business taxes and surcharges consist of business tax, urban maintenance and construction tax, education surcharge, property tax, land use tax, vehicle and vessel usage tax, stamp duty, land value increment tax, comprehensive fund and others. The following table sets forth the details of the Group's business taxes and surcharges for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,		
	2014	2015	2016	2016	2016	2017	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)	(RMB'000) (unaudited)	(RMB'000) (unaudited)	(US$'000) (unaudited)
Business tax	544,905	559,180	169,772	24,452	136,173	–	–
Urban maintenance and construction tax	37,649	38,688	30,626	4,411	11,586	14,929	2,150
Education surcharge	26,714	28,122	23,711	3,415	8,530	11,033	1,589
Property tax	–	–	665	96	–	1,119	161
Land use tax	–	–	50	7	–	103	15
Vehicle and vessel usage tax	–	–	16	2	–	–	–
Stamp duty	–	–	1,874	270	–	686	99
Land value increment tax	–	2,035	71	10	–	–	–
Comprehensive fund	616	1,664	2,015	290	166	312	45
Others	4,306	8,541	3,243	467	–	768	111
Total	**614,190**	**638,231**	**232,045**	**33,421**	**156,454**	**28,950**	**4,170**

Selling and Distribution Expenses

The Group's selling and distribution expenses include shipping fees, exhibition fees, advertising fees, payroll, operational expenditure, depreciation, hospitality fees, rental fees and other expenses. The following table sets forth details of the Group's selling and distribution expenses for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,		
	2014	2015	2016	2016	2016	2017	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)	(RMB'000) (unaudited)	(RMB'000) (unaudited)	(US$'000) (unaudited)
Shipping fees	7,029	471	3,231	465	1,465	6,221	896
Exhibition fees	–	–	301	43	–	–	–
Advertising fees	1,646	3,822	1,981	285	1,712	25	4
Payroll	261	1,961	301	43	652	18	3
Operational expenditures	–	–	708	102	–	175	25
Business promotion fees	–	–	–	–	530	684	99
Depreciation	–	74	26	4	–	–	–
Hospitality fees	6	706	1,012	146	26	–	–
Rental fees	1,008	1,307	–	–	935	–	–
Other expenses	1,121	2,627	2,687	387	501	1,937	279
Total	**11,071**	**10,968**	**10,248**	**1,476**	**5,820**	**9,059**	**1,305**

General and Administrative Expenses

The Group's general and administrative expenses include company overhead expenditure, directors' meeting fee, labor union fee, intermediaries' fees, consulting fee, hospitality fee, litigation fee, taxes and share-based payment. The following table sets forth details of the Group's general and administrative expenses for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,		
	2014	2015	2016	2016	2016	2017	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)	(RMB'000) (unaudited)	(RMB'000) (unaudited)	(US$'000) (unaudited)
Company overhead expenditure	241,303	241,335	193,428	27,859	89,328	100,224	14,435
Directors' meeting fee	–	–	660	95	–	7	1
Trade union fee	435	70	86	12	36	53	8
Intermediaries' fee	1,649	1,836	13,539	1,950	7,251	5,375	774
Consulting fee (including consultant fee)	1,988	9,950	6,855	987	5,234	3,265	470
Hospitality fee	45,358	18,128	15,182	2,187	10,377	9,968	1,436
Research fee	–	–	–	–	–	2,213	319
Litigation fee	1,689	744	1,132	163	392	1,894	273
Taxes	7,276	3,251	6,314	909	5,470	–	–
Share-based payment	–	–	288,861	41,605	288,861	–	–
Establishment expense	–	–	–	–	–	632	91
Total	**299,699**	**275,314**	**526,058**	**75,768**	**406,949**	**123,631**	**17,807**

Financial Expenses

The Group's financial expenses consist of interest expenditure, exchange loss, commission fee expenditure, bill discounting expenditure, cash discount and others. The Group's financial expenses fluctuate from period to period due primarily to fluctuations in its level of outstanding indebtedness and the interest rates on such indebtedness. The following table sets forth details of the Group's financial expenses for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,		
	2014	2015	2016	2016	2016	2017	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)	(RMB'000) (unaudited)	(RMB'000) (unaudited)	(US$'000) (unaudited)
Interest expenses	177,837	172,444	337,444	48,602	154,349	246,513	35,505
Less: Interest income	48,964	67,700	228,714	32,942	93,934	72,737	10,476
Add: Losses/(gains) from currency exchange	197	(167)	(695)	(100)	(903)	(37)	(5)
Bank charges	4,987	10,709	5,432	782	2,401	2,253	325
Note discounting charges	87,868	86,217	77,853	11,213	25,250	26,263	3,783
Others	4,609	6,999	9,566	1,378	552	971	140
Total	**226,533**	**208,503**	**200,886**	**28,934**	**87,714**	**203,227**	**29,271**

Investment Income

The Group's investment income includes long-term equity investment income measured by equity method, investment income obtained from disposal of long-term equity investment, investment income obtained from disposal of financial assets at fair value through profit and loss, investment income from the holding of available-for-sale financial assets and others. The following table sets forth details of the Group's investment income for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,		
	2014	2015	2016	2016	2016	2017	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)	(RMB'000) (unaudited)	(RMB'000) (unaudited)	(US$'000) (unaudited)
Investment income/(loss) from long-term equity investments measured by equity method	(2,132)	527	(60)	(9)	(26)	(318)	(46)
Investment income/(loss) from disposal of long-term equity investments	(70)	–	32,823	4,728	45,953	(146)	(21)
Investment income/(loss) from disposal of financial assets at fair value through profit and loss	*	2	(382)	(55)	99	–	–
Investment income from the holding of available-for-sale financial assets and others	4,400	5,000	2,800	403	2,800	1,693	244
Investment income from disposal of available-for-sale financial assets	–	–	–	–	–	1,300	187
Others	28,600	10,875	16,494	2,376	5,731	1,618	233
Total	**30,797**	**16,405**	**51,675**	**7,443**	**54,557**	**4,146**	**597**

Note: * means less than RMB1,000.

Income Tax Expense

Income tax expense represents the Group's total current and deferred income tax expense. Under the EIT Law and the implementation regulations of the EIT Law, the tax rate of subsidiaries in the PRC has been 25% from January 1, 2008, which is applicable to all of the Group's PRC subsidiaries.

For the years ended December 31, 2014, 2015 and 2016 and for the six months ended June 30, 2017, the Group's effective tax rate remained as 25.0%, 25.0%, 25.0% and 25.0%, respectively. The following table sets forth details of the Group's income tax expense during the periods indicated:

	For the year ended December 31,				For the six months ended June 30,		
	2014	2015	2016	2016	2016	2017	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)	(RMB'000) (unaudited)	(RMB'000) (unaudited)	(US$'000) (unaudited)
Current period income tax	239,989	277,411	394,453	56,813	131,778	150,969	21,744
Deferred income tax	(8,731)	18,552	(40,740)	(5,868)	4,704	(39,246)	(5,653)
Total	**231,258**	**295,963**	**353,713**	**50,945**	**136,481**	**111,723**	**16,092**

Net Profit and Net Profit Margin

The Group's recorded net profit of approximately RMB658 million, RMB740 million, RMB741 million (US$107 million), RMB134 million and RMB318 million (US$46 million) for the years ended December 31, 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017, respectively, representing a net profit margin of 3.50%, 3.95%, 3.65%, 1.61% and 3.75%, respectively.

Results of Operations

The table below sets forth the Group's results of operations for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,		
	2014	2015	2016	2016	2016	2017	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)	(RMB'000) (unaudited)	(RMB'000) (unaudited)	(US$'000) (unaudited)
Total operating income	**18,788,059**	**18,744,607**	**20,277,876**	**2,920,622**	**8,353,660**	**8,493,522**	**1,223,322**
Total operating cost							
Including: Operating cost	16,690,682	16,656,759	18,077,717	2,603,733	7,496,996	7,575,807	1,091,143
Business taxes & surcharges	614,190	638,231	232,045	33,421	156,454	28,950	4,170
Selling and distribution expenses	11,071	10,968	10,248	1,476	5,820	9,059	1,305
General and administrative expenses	299,699	275,314	526,058	75,768	406,949	123,631	17,807
Financial expenses	226,533	208,503	200,886	28,934	87,714	203,227	29,271
Impairment losses	101,788	(65,813)	188,383	27,133	(18,815)	127,795	18,406
Add: Gains from changes in fair value (or less: losses)	332	(468)	–	–	–	–	–
Investment income (or less: losses)	30,797	16,405	51,675	7,443	54,557	4,146	597
Operating profit	**875,225**	**1,036,583**	**1,094,214**	**157,600**	**273,099**	**429,200**	**61,818**
Add: Non-operating income	19,818	4,513	5,054	728	261	1,171	169
Less: Non-operating expenses	5,502	5,042	4,776	688	2,508	159	23
Profit before taxation	**889,541**	**1,036,055**	**1,094,491**	**157,639**	**270,853**	**430,213**	**61,964**
Less: Income tax	231,258	295,963	353,713	50,945	136,481	111,723	16,092
Net Profit	**658,283**	**740,092**	**740,778**	**106,694**	**134,372**	**318,489**	**45,872**

Discussion of Results of Operations

Six months ended June 30, 2017 compared with six months ended June 30, 2016

Total Operating Income

The Group's total operating income increased by 1.7% from RMB8,354 million for the six months ended June 30, 2016 to RMB8,494 million (US$1,223 million) for the six months ended June 30, 2017. The Group recognized revenue increase in its building construction business, highway construction business and other businesses for the six months ended June 30, 2017, as compared to the same period in 2016. The increase in its total operating income was mainly caused by an increase in the number of building construction projects undertaken by the Group.

The Group's operating income from building construction increased by 0.9% from RMB8,046 million for the six months ended June 30, 2016 to RMB8,114 million (US$1,169 million) for the six months ended June 30, 2017. This increase was mainly attributable to an increase in revenue recognized in industrial building, public facilities and other types of building construction projects, partially offset by a slight decrease in operating income from civil building construction projects.

The Group's operating come from highway construction increased by 24.3% from RMB243 million for the six months ended June 30, 2016 to RMB302 million (US$44 million) for the six months ended June 30, 2017. This increase was mainly attributable to an increase in the PPP projects undertaken by the Group which contributed to increased revenue recognized for the six months ended June 30, 2017.

Operating Costs

The Group's operating costs increased by 1.1% from RMB7,497 million for the six months ended June 30, 2016 to RMB7,576 million (US$1,091 million) for the six months ended June 30, 2017. The increase in its operating cost was mainly due to an increase in the direct labor costs, raw material costs and subcontracting costs of the Group's principal businesses, partially offset by a decrease in the operating costs of the Group's non-principal businesses.

Raw material costs increased by 2.0% from RMB4,071 million for the six months ended June 30, 2016 to RMB4,153 million (US$598 million) for the six months ended June 30, 2017. Direct labor costs increased by 2.4% from RMB1,593 million for six months ended June 30, 2016 to RMB1,631 million (US$235 million) for six months ended June 30, 2017 mainly due to an increase in the average salary of the Group's construction employees. Subcontracting costs increased by 1.4% from RMB769 million for the six months ended June 30, 2016 to RMB779 million (US$112 million) for the six months ended June 30, 2017.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit increased by 7.1% from RMB857 million for the six months ended June 30, 2016 to RMB918 million (US$132 million) for the year ended six months ended June 30, 2017. The Group's gross profit margin marginally increased from 10.3% for the six months ended June 30, 2016 to 10.8% for the six months ended June 30, 2017. This increase was due to the Group's focus on undertaking higher profit margin projects.

Business Taxes and Surcharges

The Group's business taxes and surcharges decreased by 81.5% from RMB156 million for the six months ended June 30, 2016 to RMB29 million (US$4 million) for the six months ended June 30, 2017 mainly due to a change in the tax regime relating to business tax and VAT tax in China as a result of the release of Circular 36. Consequently, the Group's business tax expenses decreased from RMB136 million for the six months ended June 30, 2016 to nil for the six months ended June 30, 2017. The decrease in business tax expenses was partially offset by the fact that the Group's property tax, land use tax and stamp duty tax had been categorized under "Business Taxes and Surcharges" for the six months ended June 30, 2017, which was previously recorded under "General and Administrative Expenses".

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by 55.7% from RMB6 million for the six months ended June 30, 2016 to RMB9 million (US$1 million) for the year ended six months ended June 30, 2017, primarily because of an increase in the Group's transportation expenses due to products delivery cost born by one of the Group's subsidiaries which engages in trading business.

General and Administrative Expenses

The Group's general and administrative expenses decreased by 69.6% from RMB407 million for the six months ended June 30, 2016 to RMB124 million (US$18 million) for the six months ended June 30, 2017 primarily because of the making of provision for dividend payment of approximately RMB289 million for the six months ended June 30, 2016 compared to nil for the six months ended June 30, 2017.The decrease was partially offset by increase in research and development expenses and litigation expenses for the six months ended June 30, 2017 as a result of the Group's tightening of its receivables collection management and institution of claims on its outstanding receivables.

Financial Expenses

The Group's financial expenses substantially increased by 131.7% from RMB88 million for the six months ended June 30, 2016 to RMB203 million (US$29 million) for the six months ended June 30, 2017 primarily because of an increase in the Group's financings and a decrease in interest income. For the six months ended June 30, 2017, the Group's interest expenses on its borrowings significantly increased by 59.7% to RMB247 million (US$36 million) from RMB154 million for the six months ended June 30, 2016 due to an increase in the Group's borrowings.

Impairment Losses

The Group had an impairment loss in the amount of RMB128 million (US$18 million) for the six months ended June 30, 2017 compared to a reversal of RMB19 million for the six months ended June 30, 2016 primarily attributable to an increase in the Group's outstanding accounts receivable and an

increase in the age of the Group's receivables for the six months ended June 30, 2017 compared to the six months ended June 30, 2016. For the six months ended June 30, 2017, impairment losses for overdue receivables were RMB128 million (US$18 million) compared to a reversal of RMB18 million for the six months ended June 30, 2016.

Investment Income

The Group's investment income substantially decreased by 92.4% from RMB55 million for the six months ended June 30, 2016 to RMB4 million (US$1 million) for the six months ended June 30, 2017. For the six months ended June 30, 2017, the Group had a loss from disposal of long-term equity investment of RMB0.1 million (US$0 million) compared to a gain of RMB46 million for the six months ended June 30, 2016.

Income Tax Expenses

The Group's income tax expenses decreased by 18.1% from RMB136 million for the six months ended June 30, 2016 to RMB112 million (US$16 million) for the six months ended June 30, 2017 primarily because of adjustment made due to the fact that provision for dividend payment of RMB288 million was not allowed to be deducted for taxation purpose for the six months ended June 30, 2016.

Net Profit and Net Profit Margin

As a result of the foregoing, the Group's net profit increased by 137.0% from RMB134 million for the six months ended June 30, 2016 to RMB318 million (US$46 million) for the six months ended June 30, 2017. The Group's net profit margin increased from 1.61% for the six months ended June 30, 2016 to 3.75% for the six months ended June 30, 2017 primarily because of substantial increase in net profit for the six months ended June 30, 2017 and relatively substantial amount of administrative expenses were recorded for the same period in 2016.

Year ended December 31, 2016 compared with year ended December 31, 2015

Total Operating Income

The Group's total operating income increased by 8.2% from RMB18,745 million for the year ended December 31, 2015 to RMB20,278 million (US$2,291 million) for the year ended December 31, 2016. The increase in its total operating income was mainly the result of the construction progress of the relevant projects during the year ended December 31, 2016.

The Group's operating income from building construction increased by 8.0% from RMB18,046 million for the year ended December 31, 2015 to RMB19,484 million (US$2,806 million) for the year ended December 31, 2016. This increase was mainly attributable to an increase in operating income from civil building project construction, which contributed 79.1% of the Group's total operating income for the year ended December 31, 2016 compared to 79% for the year ended December 31, 2015.

The Group's operating income from highway projects increased by 38.1% from RMB469 million for the year ended December 31, 2015 to RMB648 million (US$93 million) for the year ended December 31, 2016. As a percentage of the Group's total operating income, the significance of the operating income from highway projects increased from 2.5% for the year ended December 31, 2015 to 3.2% for the year ended December 31, 2016.

Operating Costs

The Group's operating costs increased by 8.5% from RMB16,657 million for the year ended December 31, 2015 to RMB18,078 million (US$2,604 million) for the year ended December 31, 2016. The increase in its operating costs was generally in line with the increase in the Group's total operating income and was mainly attributable the construction progress of the relevant projects.

Raw material costs increased by 7.7% from RMB9,123 million for the year ended December 31, 2015 to RMB9,825 million (US$1,415 million) for the year ended December 31, 2016. Direct labor costs increased by 14.1% from RMB3,458 million for the year ended December 31, 2015 to RMB3,946 million (US$568 million) for the year ended December 31, 2016 mainly due to an increase in the average salary of the Group's construction employees. Subcontracting costs increased by 15.8% from RMB1,657 million for the year ended December 31, 2015 to RMB1,918 million (US$276 million) for the year ended December 31, 2016.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit increased by 5.4% from RMB2,088 million for the year ended December 31, 2015 to RMB2,200 million (US$317 million) for the year ended December 31, 2016. The Group's gross profit margin marginally decreased from 11.14% for the year ended December 31, 2015 to 10.85% for the year ended December 31, 2016. This decrease was due to a change in the Group's pricing policies as a result of Circular 36 to the effect that business tax was not included in the contract value of certain construction contracts of the Group after the implementation of Circular 36. See "– Key Factors Affecting the Group's Results of Operations and Financial Condition – VAT."

Business Taxes and Surcharges

The Group's business taxes and surcharges decreased by 63.6% from RMB638 million for the year ended December 31, 2015 to RMB232 million (US$33 million) for the year ended December 31, 2016 mainly due to a change in the tax regime relating to business tax and VAT tax in China as a result of the release of Circular 36. The Group's business tax expenses decreased from RMB559 million for the year ended December 31, 2015 to RMB170 million (US$24 million) for the year ended December 31, 2016. See "– Key Factors Affecting the Group's Results of Operations and Financial Condition – VAT."

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by 6.6% from RMB11 million for the year ended December 31, 2015 to RMB10 million (US$1 million) for the year ended December 31, 2016, primarily because of decreases in the Group's advertisement expenses, salaries of sales and marketing staff and leasing expenses. These decreases were partially offset by an increase in the Group's transportation expenses from RMB0.5 million for the year ended December 31, 2015 to RMB3 million (US$0.4 million) for the year ended December 31, 2016.

General and Administrative Expenses

The Group's general and administrative expenses increased by 91.1% from RMB275 million for the year ended December 31, 2015 to RMB526 million (US$76 million) for the year ended December 31, 2016 primarily because of an one-off expense of RMB289 million (US$42 million) relating to the Group's implementation of an employee share option scheme in the first half year of 2016. Under its employee share option scheme, the Company issued to its employees 50,128,000 new shares with a par value of RMB1.00 per share, which represented 10% of the enlarged share capital of the Company. See Note IX.2 of the 2016 Audited Financial Statements.

Financial Expenses

The Group's financial expenses slightly decreased by 3.7% from RMB209 million for the year ended December 31, 2015 to RMB201 million (US$29 million) for the year ended December 31, 2016 primarily because of the Group's strict control over its financial expenses. For the year ended December 31, 2016, the Group's interest expenses on its borrowings significantly increased by 95.7% to RMB337 million (US$49 million) from RMB172 million for the year ended December 31, 2015 due to an

increase in the Group's borrowings. The increase in interest expenses was partially offset by a 237.8% increase in interest income from RMB67 million for December 31, 2015 to RMB229 million (US$33 million) for the year ended December 31, 2016.

Impairment losses

The Group had an impairment loss in the amount of RMB188 million (US$27 million) for the year ended December 31, 2016 compared to a reversal of RMB66 million for the year ended December 31, 2015 primarily attributable to a change in the aging of the Group's receivables in 2016 compared to 2015 and the sale of the Company's equity interest in nine subsidiaries in 2016. For the year ended December 31, 2016, impairment losses for overdue receivables were RMB189 million (US$27 million) compared to a reversal of RMB69 million for the year ended December 31, 2015.

Investment Income

The Group's investment income increased by 215% from RMB16 million for the year ended December 31, 2015 to RMB52 million (US$7 million) for the year ended December 31, 2016 primarily attributable to the gains derived from the sale of the Company's equity interests in nine subsidiaries in 2016. For the year ended December 31, 2016, the Group had income from disposal of long-term equity investment of RMB33 million (US$5 million). See "– Key Factors Affecting the Group's Results of Operations and Financial Condition – Acquisition and disposal of subsidiaries."

Income Tax Expenses

The Group's income tax expenses increased by 19.4% from RMB296 million for the year ended December 31, 2015 to RMB354 million (US$51 million) for the year ended December 31, 2016 primarily because of an increase in the Group's taxable profit as a result of its increased operating income and the Company's non-deductible expenses incurred relating to the implementation of its employee share option scheme.

Net Profit and Net Profit Margin

As a result of the foregoing, the Group's net profit increased by 0.1% from RMB740 million for the year ended December 31, 2015 to RMB741 million (US$107 million) for the year ended December 31, 2016. The Group's net profit margin slightly decreased from 3.95% for the year ended December 31, 2015 to 3.65% for the year ended December 31, 2016.

Year ended December 31, 2015 compared with year ended December 31, 2014

Total Operating Income

The Group's total operating income slightly decreased by 0.2% from RMB18,788 million for the year ended December 31, 2014 to RMB18,745 million for the year ended December 31, 2015, mainly due to a decrease in the Group's operating income from public facilities projects and highway construction projects.

The Group's operating income from public projects decreased by 28.4% from RMB1,651 million for the year ended December 31, 2014 to RMB1,182 million for the year ended December 31, 2015 mainly and the Group's operating income from highway construction decreased by 41.7% from RMB805 million for the year ended December 31, 2014 to RMB469 million for the year ended December 31, 2015. These decreases were mainly the result of the construction progress of the relevant projects in 2015 relative to the construction progress in 2014. Due to the nature of its business, the Group's operating income is affected by the number of projects under construction during any particular period and the construction progress of the relevant projects, and may fluctuate significantly from time to time. See "– Key Factors Affecting the Group's Results of Operations and Financial Condition – Construction progress and payment schedule of the Group's projects."

The decreases in the Group's operating income from public facilities projects and highway projects were partially offset by an increase in the Group's operating income from industrial building projects. The Group's operating income from industrial building projects increased by 14.1% from RMB14,152 million for the year ended December 31, 2015 to RMB14,808 million for the year ended December 31, 2015.

Operating Costs

The Group's operating costs slightly decreased by 0.2% from RMB16,691 million for the year ended December 31, 2014 to RMB16,657 million for the year ended December 31, 2015. The decrease in its operating costs was generally in line with the decrease in the Group's total operating income and was generally in line with the increase in the Group's total operating income and was mainly attributable the construction progress of the relevant projects.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit decreased by 0.43% from RMB2,097 million for the year ended December 31, 2014 to RMB2,088 million for the year ended December 31, 2015 for the reasons stated above. The Group's gross profit margin slightly decreased from 11.16% for the year ended December 31, 2014 to 11.14% for the year ended December 31, 2015.

Business Taxes and Surcharges

The Group's business taxes and surcharges increased by 3.9% from RMB614 million for the year ended December 31, 2014 to RMB638 million for the year ended December 31, 2015 mainly due to an increase in the Group's operating income which was in line with the expansion of its construction business.

Selling and Distribution Expenses

The Group's selling and distribution expenses remained stable, which were RMB11 million for the year ended December 31, 2015 compared to RMB11 million for the year ended December 31, 2014. For the year ended December 31, 2015, the Group's salary expenses of sales and marketing staff significantly increased to RMB2 million from RMB0.3 million, and its advertisement expenses increased to RMB4 million from RMB2 million for the year ended December 31, 2014, both primarily attributable to an expansion of its business and the result of its increased investment in sales and marketing. These increases were partially offset by a significant decrease in its transportation expenses from RMB7 million for the year ended December 31, 2014 to RMB0.5 million for the year ended December 31, 2015. In 2015, the Group changed its pricing policies relating to its steel sale and transportation expenses were included in the revenue from sale of its steel products.

General and Administrative Expenses

The Group's general and administrative expenses decreased by 8.3% from RMB300 million for the year ended December 31, 2014 to RMB275 million for the year ended December 31, 2015 mainly due to a decrease in the Group's entertainment expenses as a result of its effective cost control efforts. This decrease was partially offset by a four times increase in its consulting fees.

Financial Expenses

The Group's financial expenses decreased by 7.9% from RMB227 million for the year ended December 31, 2014 to RMB209 million for the year ended December 31, 2015 primarily because of an increase in interest income and a decrease in its interest expenses during the same period.

Impairment losses

The Group had a reversal in impairment loss in the amount of RMB66 million for the year ended December 31, 2015 compared to an impairment loss in the amount of RMB102 million for the year ended December 31, 2014 due to the Group's recovery of overdue contracting fees.

Investment Income

The Group's investment income decreased by 48.4% from RMB31 million for the year ended December 31, 2014 to RMB16 million for the year ended December 31, 2015 primarily due to a decrease in the investment returns generated from Anhui Luwang's BT projects as there were fewer projects transferred in 2015 compared to 2014.

Income Tax Expenses

The Group's income tax expenses increased by 28.1% from RMB231 million for the year ended December 31, 2014 to RMB296 million for the year ended December 31, 2015 primarily because of an increase in the Group's taxable profit, which was in turn due to a reversal in impairment loss in the amount of RMB66 million for the year ended December 31, 2015.

Net Profit and Net Profit Margin

As a result of the foregoing, the Group's net profit increased by 12.5% from RMB658 million for the year ended December 31, 2014 to RMB740 million for the year ended December 31, 2015. Its net profit margin increased from 3.50% for the year ended December 31, 2014 to 3.95% for the year ended December 31, 2015 mainly due to the Group's recovery of overdue contracting fees in 2015.

Liquidity and Capital Resources

Working Capital

The Group finances its operations primarily through cash generated from operating activities and interest-bearing bank and other borrowings and funds raised from the capital markets such as its listing on the NEEQ and the issuance of corporate bonds. As of December 31, 2014, 2015 and 2016 and as of June 30, 2017, it had cash and cash equivalents of RMB2,305 million, RMB2,417 million, RMB2,919 million (US$420 million) and RMB3,410 million (US$491 million), respectively.

The Group monitors its cash flows and cash balance on a regular basis and seek to maintain optimal level of liquidity that can meet its working capital needs while supporting a healthy level of business and its various growth strategies. The Group intends to continue to finance its operations through cash generated from operating activities, interest-bearing bank and other borrowings. Other than normal bank borrowings that it obtains from commercial banks and its existing corporate bonds, the Group does not expect to have any material external debt financing plan in the near future.

Cash Flows

The Group's primary use of cash is to fund its working capital needs, capital expenditures and repayment of its indebtedness. The Group has utilized a combination of cash flows generated from its operating activities, investment activities, bank borrowings, issuance of bonds and other loans and capital contributions made by its shareholders. The following table sets forth a selected summary of the Group's consolidated cash flow statements for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,		
	2014	2015	2016	2016	2016	2017	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)	(RMB'000) (unaudited)	(RMB'000) (unaudited)	(US$'000) (unaudited)
Net cash flows from/(used in) operating activities	(431,938)	(217,079)	65,856	9,485	30,985	437,450	63,006
Net cash flows (used in) investing activities	(172,078)	(378,618)	(3,036,923)	(437,408)	(308,481)	(2,366,947)	(340,911)
Net cash flows from financing activities	744,264	765,616	3,499,160	503,984	483,393	2,326,949	335,150
Effect of fluctuation in exchange rate on cash and cash equivalents	49	(933)	262	38	–	–	–
Net increase in cash and cash equivalents	140,297	168,985	478,354	68,897	205,897	397,452	57,245
Closing balance of cash and cash equivalents	981,739	1,150,725	1,629,078	234,636	1,356,622	2,026,531	291,881

Net cash from/(used in) operating activities

For the six months ended June 30, 2017, the Group had net cash flow generated from operating activities of RMB437 million (US$63 million), which was mainly attributable to cash received from contracting fees, interest income on bank deposits and recovery of project quality deposits and loans advanced to subcontractors and project owners. Such cash inflow was partially offset by cash paid for the purchase of raw materials, subcontracting fees, salaries and other labor costs, taxes and project quality deposits..

For the year ended December 31, 2016, the Group had net cash flow generated from operating activities of RMB66 million (US$9 million), which was mainly attributable to the cash received from sale of goods and provision of services of RMB20,704 million (US$2,982 million) and was partially offset by (i) cash paid for the purchase of goods and receipt of services of RMB15,718 million (US$2,264 million), (ii) cash paid to and on behalf of employees of RMB3,687 million (US$531 million) and (iii) tax payment of RMB1,251 million (US$180 million). Cash received from sale of goods and provision of services was primarily due to the receipt of contracting fees by the Group in accordance with the payment timetable of the relevant projects, but partially offset by an increase in the Group's accounts receivables and inventories in 2016 mainly due to the construction progress of the relevant projects during the year ended December 31, 2016 and an increase in the contracting fees of the Group's projects settled in 2016.

For the year ended December 31, 2015, the Group had net cash flow used in operating activities of RMB217 million, which was mainly attributable to (i) cash paid for purchase of goods and receipt of services of RMB16,650 million, (ii) cash paid to and on behalf of employees of RMB3,212 million, and (iii) tax payments of RMB523.4 million. This cash outflow was partially offset by cash received from sales of goods or rendering of services of RMB18,942 million, which was attributable to the receipt of contracting fees by the Group in accordance with the payment timetable of the relevant projects, but partially offset by a significant increase in the Group's inventories in 2015 due to the construction progress of the relevant projects during the year ended December 31, 2016.

For the year ended December 31, 2014, the Group had net cash flow used in operating activities of RMB432 million, which was mainly attributable to (i) cash paid for purchase of goods and receipt of services of RMB12,764 million, (ii) cash paid to and on behalf of employees of RMB3,518 million, and

(iii) cash paid relating to quality deposits in relation to government-directed projects, general and administrative expenses and selling and distribution expenses of RMB1,473 million. This cash outflow was partially offset by cash generated from the sale of products and provision of labor of RMB18,124 million, which was the receipt of contracting fees by the Group in accordance with the payment timetable of the relevant projects, but partially offset by a significant increase in the Group's accounts receivables in 2014 due to an increase in the contracting fees of the Group's projects settled in 2014.

Net cash used in investing activities

For the six months ended June 30, 2017, the Group had net cash flow used in investing activities of RMB2,367 million (US$341 million). Such cash outflow was mainly attributable to cash received from investment and redemption of investment in asset management products, partially offset by cash paid for the acquisition of fixed assets and intangible assets and project advance payments, among others.

For the year ended December 31, 2016, the Group had net cash flow used in investing activities of RMB3,037 million (US$437 million). Such cash outflow was attributable to (i) cash payment of RMB2,929 million (US$422 million), which primarily relating to the Group's investment in the PPP projects and also its advance payment for certain projects it undertook, which were mainly civil building construction projects, and (ii) cash payment of RMB901 million (US$130 million) relating to the payment for investment in funds, wealth management products and equity investment in PPP projects. This cash outflow was partially outset by (i) cash received from investments of RMB657 million (US$95 million), which primarily relating to the recovery of investment in funds and wealth management products and (ii) cash received from other investments of RMB344 million (US$50 million) primarily relating to recovery of advance payment for certain projects it undertook.

For the year ended December 31, 2015, the Group had net cash flow used in investing activities of RMB379 million. Such cash outflow is primarily attributable to (i) cash payment of RMB536 million for investment primarily relating to payment for investment in funds, wealth management products and entrusted loans extended to other parties, (ii) cash payment of RMB163 million to acquire fixed assets, intangible assets and other long-term assets primarily including office property acquired in places such as Shanghai, Qingdao and Hefei, and (iii) cash payment for other investments of RMB206 million primarily relating to the Group's investment in the PPP projects and also its advance payment for certain projects it undertook, which were mainly civil building construction projects. Such cash outflow was partially offset by cash received from investments of RMB581 million primarily relating to the recovery of investment in funds, wealth management products and payment received from entrusted loans extended to other parties.

For the year ended December 31, 2014, the Group had net cash flow used in investing activities of RMB172 million. Such cash outflow is primarily attributable to (i) cash payment of RMB491 million for investment primarily relating to payment for wealth management products and entrusted loans extended to other parties and (ii) cash payment of RMB126 million to acquire fixed assets, intangible assets and other long-term assets primarily including machinery, equipment and office property located in Shanghai. Such cash outflow was partially offset by (i) cash received from investments of RMB142 million primarily relating to recovery of investment in wealth management products and funds and (ii) cash of RMB153 million as a result of the Company's acquisition of four subsidiaries in 2014.

Net cash from financing activities

For the six months ended June 30, 2017, the Group had net cash flow generated from financing activities of RMB2,327 million (US$335 million). Such cash inflow was mainly attributable to loan borrowings obtained from various PRC banks and proceeds from issuance of bonds, partially offset by cash paid for distribution of dividends and interest payments.

For the year ended December 31, 2016, the Group had net cash flow generated from financing activities of RMB3,449 million (US$504 million). Such cash inflow was attributable to cash received from new borrowings of RMB6,798 million (US$979 million) and cash of RMB1,000 million (US$144 million) received from issuance of the 2016 Corporate Bonds. Such cash inflow was partially offset by cash repayment of borrowings of RMB4,727 million (US$681 million) and cash payments for distribution of dividends, profits or interest expenses of RMB322 million (US$46 million). See "Description of Material Indebtedness and Other Obligations – Debt Securities Issued by the Group."

For the year ended December 31, 2015, the Group had net cash flow generated from financing activities of RMB766 million. Such cash inflow was attributable to cash received from new borrowings of RMB4,072 million and cash of RMB600 million received from issuance of the 2015 Onshore Private Placement Bonds and the 2015 Onshore Medium-Term Notes. Such cash inflow was partially offset by cash repayments of borrowings of RMB3,791 million and cash payments for distribution of dividends, profits or interest expenses of RMB289 million. See "Description of Material Indebtedness and Other Obligations – Debt Securities Issued by the Group".

For the year ended December 31, 2014, the Group had net cash flow generated from financing activities of RMB744 million. Such cash inflow was attributable to cash received from new borrowings of RMB3,878 million and cash of RMB200 million received from issuance of the 2014 Onshore Medium-Term Notes. Such cash inflow was partially offset by cash repayments of borrowings of RMB3,039 million and (ii) cash payments for distribution of dividends, profits or interest expenses of RMB350 million. See "Description of Material Indebtedness and Other Obligations – Debt Securities Issued by the Group".

Contingent liabilities

As of December 31, 2014, 2015 and 2016 and as of June 30, 2017, the Group had outstanding guarantee in a total amount of RMB4,189 million, RMB2,550 million, RMB2,247 million (US$324 million) and RMB1,973 million (US$284 million), respectively. As application for guarantee is subject to stringent review and approval by the Group and the management monitors any loss as may be incurred by bank financing guarantee services on a regular basis, the Group believes that the above guarantee services are not expected to incur any material liabilities as of June 30, 2017.

As of June 30, 2017, the Group had contingent liabilities in a total amount of RMB192 million (US$28 million) relating to 86 pending legal proceedings, some of which were relating to contract disputes between the Group and its subcontractors due to late payment of construction fees. In the proceedings involving guarantees provided by the Group, the Group is entitled to claim damages or compensations from the guaranteed parties. See "Risk Factors — Risk Relating to the Group's Business and Construction Industry — The Group may be involved in disputes, claims and litigations in its ordinary course of business" and Note X of the 2016 Annual Financial Statements.

The Group also provides various quality warranties to its customers, of terms between one to five years, in accordance with the relevant PRC laws and regulations. Such warranties are normally covered by back-to-back warranties provided to the Group by the respective suppliers and sub-contractors. In addition, the Group has, from time to time, also been party to lawsuits and other legal proceedings in its ordinary course of business.

Off-balance Sheet Arrangements

Except for the contingent liabilities set forth above, the Group has not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties. The Group does not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to it or engages in leasing or hedging or research and development services with the Group. As of June 30, 2017, the Group did not have any material off-balance sheet arrangements.

Market Risks

The Group is exposed to various types of market risks, including interest rate risk, credit risk, liquidity risk and raw material costs fluctuation risk in the ordinary course of its business. The Group's senior management meets regularly to analyze and formulate measures to manage its exposure to these market risks. Generally, the Group maintains conservative strategies on its risk management. As its exposure to these risks is kept to minimum, it has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

Interest Rate Risk

The Group has substantial bank loans outstanding. Currently, a substantial majority of the Group's bank loans bear fixed interest rate. In the event that a substantial part of the Group's bank loans bear floating interest rates linked to the benchmark lending rates published by PBOC, a material fluctuation in the benchmark lending rates may have a material impact on the Group's interest expenses and payables under its bank loans and in turn negatively affect the Group's financing costs and results of operations.

An increase in interest rates may also adversely affect prospective purchasers' ability to obtain financing and depress overall housing demand. Higher interest rates may adversely affect our operating income and profits. PBOC benchmark one-year lending rates in China (which directly affects the property mortgage rates offered by commercial banks in the PRC) as of December 31, 2014, 2015 and 2016 were 5.60%, 4.35% and 4.35%, respectively. The Group cannot assure you that PBOC will not raise lending rates in the future or that its business, financial condition and results of operations will not be adversely affected as a result of these adjustments.

Credit Risk

The Group's credit risk relates mainly to its amounts due from trade and other receivables, bank balances and cash. The Group deposits its cash and cash equivalents in major financial institutions which the Group believes are of high credit quality. With respect to trade and other receivables, the Group conducts credit evaluations periodically on parties to which the Group grants credit by assessing their financial position, past experience and other factors. The Group also closely monitors receivables to ensure actions are taken to recover balances in the case the Group believes there is a risk of default.

Further quantitative data in respect of its exposure to credit risk arising from trade and bills receivables are disclosed in Notes 3 and 4 under Section V of the Accountants' Report set out as Appendix I in this offering memorandum.

Foreign Exchange Rate Risk

The Group undertakes construction projects in the overseas market, such as Southeast Asia and Africa. Currently, the Group primarily uses Renminbi for the settlement and payment of its construction work for overseas projects. However, part of the Group's operating income and cash and cash equivalents are denominated by foreign currencies, mainly US dollars, the West African CFA franc and Angolan Kwanza. See Note V-56 of the 2016 Audited Financial Statements.

The value of Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. The conversion of Renminbi into foreign currencies, including the U.S. dollar and the HK dollar, has been based on rates set by the PBOC. On July 21, 2005, China's government changed its decade-old policy of pegging the value of Renminbi to the U.S. dollar. Under the new policy, Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. While the international reaction to the Renminbi revaluation has generally been positive, there remains significant international pressure on China's government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of Renminbi against the U.S. dollar. In the event that the Group

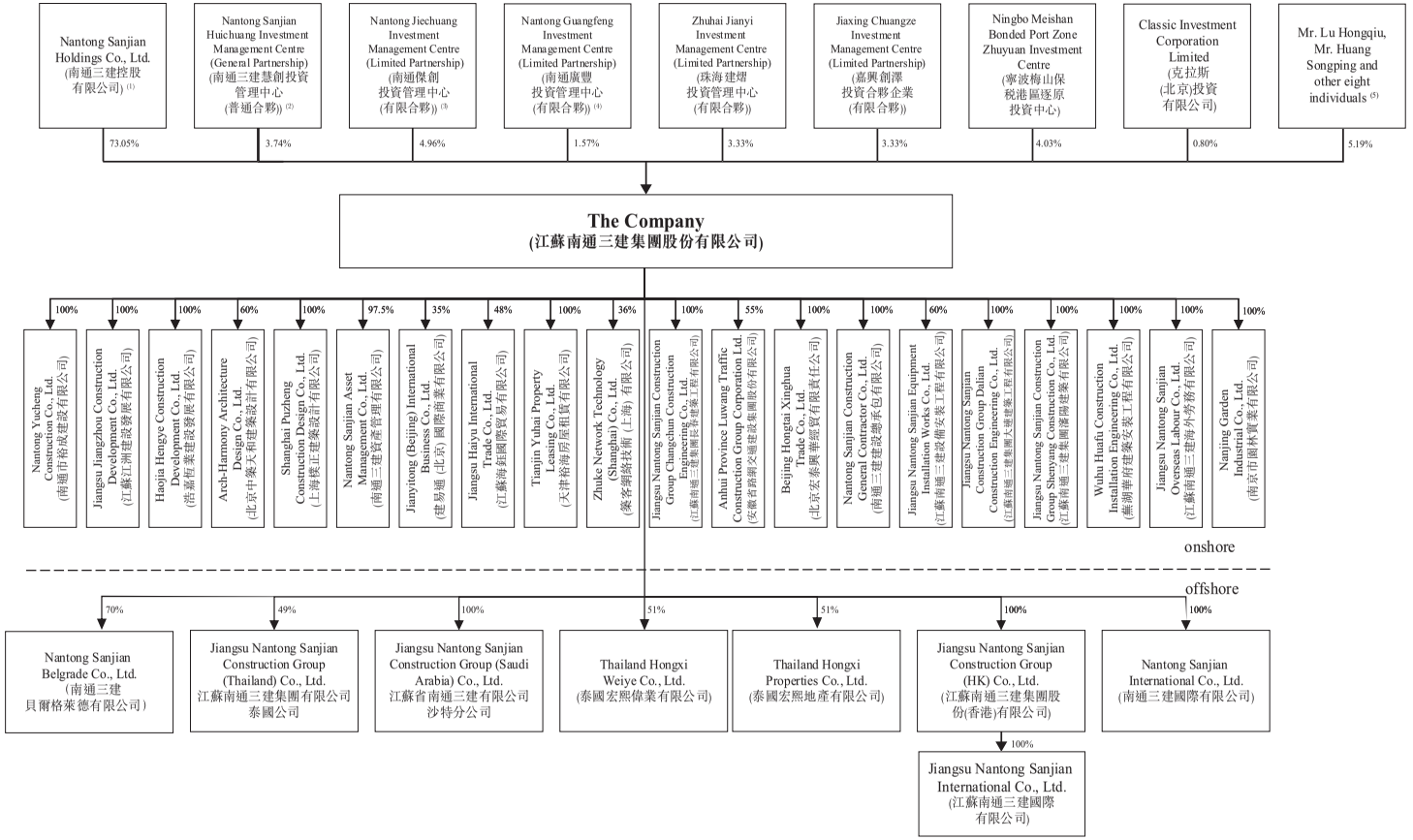
further expands its overseas operations and a substantial part of the Group's operating income is denominated in foreign currencies, fluctuations in the value of Renminbi to the U.S. dollar or other foreign currencies may adversely affect the Group's cash flows, operating income, earnings and financial position. For example, if the value of Renminbi appreciates, the Group would record foreign exchange losses on bank balances and other assets the Group maintains in non-Renminbi currencies.

Inflation Risk

The Group is exposed to fluctuations in the prices of raw materials for its construction projects, primarily steel, concrete and cement, the price of which is subject to inflation risk. According to the World Bank, China's overall national inflation rate, as represented by the general consumer price index, was approximately 2.0%, 1.4% and 2.0% for the years ended December 31, 2014, 2015 and 2016, respectively. Rising prices for any construction material caused by inflation will affect the Group's costs. Moreover, deflation could also negatively affect the Group's business as it would be a disincentive for purchasing property which would in turn cause a decrease in demand for civil building project construction.

CORPORATE STRUCTURE

The following diagram sets forth the Group's corporate structure as of the date of this offering memorandum:



Notes:

(1) 49.31% equity interest in Nantong Sanjian Holdings Co., Ltd. is held by directors, supervisors and senior management of the Company, comprised of 22.04%, 13.22%, 8.92%, 1.32%, 1.32%, 1.32% and 1.17% held by Mr. Huang Yuhui, Mr. Zhou Binggao, Mr. Shi Hui, Mr. Zhang Fubin, Mr. Wang Weichong, Mr. Xu Ting and Mr. Yuan Bei, respectively. 13.22% equity interest in Nantong Sanjian Holdings Co., Ltd. is held by Haimen City Development and Construction Co., Ltd.(海門市城市發展投資有限公司), which is wholly-owned by Haimen State-owned Assets Supervision and Administration Commission (海門市國有資產監督管理委員會).

(2) 42.8% equity interest in Nantong Sanjian Huichuang Investment Management Centre (General Partnership) is held by directors, supervisors and senior management of the Company, comprised of 32.14%, 5.16%, 2.75% and 2.75% held by Mr. Huang Yuhui, Mr. Shi Hui, Mr. Zhang Fubin and Mr. Wang Weichong, respectively. Mr. Huang Yuhui is the general partner of Nantong Sanjian Huichuan Investment Management Centre (General Partnership) and has the power and authority to decide key investments of Nantong Sanjian Huichuan Investment Management Centre (General Partnership).

(3) 80.64% equity interest in Nantong Jiechuang Investment Management Centre (Limited Partnership) is held by directors, supervisors and senior management of the Company, comprised of 5.90%, 6.13%, 5.84%, 48.17%, 5.84%, 2.92%, 2.92% and 2.92% held by Mr. Huang Yuhui, Mr. Zhou Binggao, Mr. Shi Hui, Mr. Wei Bo, Mr. Wang Weichong, Mr. Xu Ting, Mr. Yuan Bei and Mr. Zhang Fubin, respectively. Mr. Huang Yuhui is the general partner of Nantong Jiechuang Investment Management Centre (Limited Partnership) and has the power and authority to decide key investments of Nantong Jiechuang Investment Management Centre (Limited Partnership).

(4) 35.73% equity interest of Nantong Guangfeng Investment Management Centre (Limited Partnership) is held Mr. Huang Yuhui. Mr. Huang Yuhui is the general partner of Nantong Guangfeng Investment Management Centre (Limited Partnership) and has the power and authority to decide key investments of Nantong Guangfeng Investment Management Centre (Limited Partnership).

(5) Mr. Lu Hongqiu and Mr. Huang Songping directly hold 0.61% and 0.48% equity interest in the Company, respectively.

DESCRIPTION OF THE ISSUER

The Issuer was incorporated as a BVI business company with limited liability under the BVI Business Companies Act, 2004 (as amended) in the BVI on October 24, 2016. Its BVI company number is 1926658 and its registered office is located at OMC Chambers, Wickham Cay 1, Road Town, Tortola, BVI. The Issuer is directly and wholly-owned by Jiangsu Nantong Sanjian Construction Group (Hong Kong) Co., Ltd., which is a Hong Kong incorporated limited liability company, directly and wholly by the Company.

Under the Issuer's memorandum of association, the Issuer may carry on or undertake any business or activity, and do any act or enter into any transaction that is not prohibited under any law for the time being in force in the BVI. The Issuer's primary purpose is to act as one of the Company's financing subsidiaries to issue and hold the Notes. However, so long as the Notes are outstanding, the Issuer will limit its permitted activities as described under "Description of the Notes – Certain Covenants – Limitation on Issuer's Activities." The Issuer will remain as the Company's wholly-owned subsidiary as long as the Notes are outstanding. The Issuer has, and will have, no material assets apart from advances made to affiliated companies through intercompany loans.

The sole director of the Issuer is Mr. Huang Yuhui (黃裕輝). See "Management." As of the date of this offering memorandum, no part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought. The Issuer has no subsidiaries.

As of the date of this offering memorandum, the Issuer has not published, and does not propose to publish, any of its accounts since it is not required to do so under the laws of the BVI. However, the Issuer is required to keep such records and underlying documentation, as are sufficient to show and explain the Issuer's transactions and will, at any time, enable the financial position of the Issuer to be determined with reasonable accuracy.

Overview

The Company is a leading private construction company in China, which focuses on building and highway construction projects. The Company has been listed as one of the "Top 250 Global Contractors" by the ENR for 11 times and was ranked 35th in 2017 in terms of overall business performance as measured by many parameters such as operating income, total profits and value of newly-signed contracts. Moreover, the Company was ranked 10th among the "2014 Top 100 Enterprises of China Construction Industry by Competitiveness" by China Construction Industry Association. The Company has been listed as one of the "Top 500 Enterprises in China" for 13 consecutive years since 2005 by China Enterprise Confederation and as one of the "Top 80 Contractors in China" (formerly known as "Top 60 Contractors in China") for 12 consecutive years since 2005 jointly by the ENR and China's Construction Times.

The Company traces its operating history back to the establishment of its predecessor in 1958, Haimen County Construction Engineering Company, which was one of the first construction companies in Jiangsu Province. With nearly 60 years' experience in the construction industry, the Company together with its subsidiaries have built a proven track record of success and have engaged in the construction of a large number of landmark projects in China and overseas. Many projects undertaken by the Group have received strong market recognition and prestigious awards in China for their construction quality, safety and innovative construction techniques, such as the Lu Ban Award for China Construction Engineering, the most prestigious award given by the MOHURD for construction quality excellence, and the National High Quality Project Award, which is the highest honor for construction quality awarded by the National Engineering Construction Quality Award Evaluation Committee in China.

The Group currently holds a number of top-grade construction contractor qualifications as general and professional contractors in China, which include:

- one premium class housing construction EPC qualification, which is the highest-level qualification awarded to building construction general contractors that satisfy the most stringent standards in relation to overall credit, landmark projects, experience and other qualification of the management team and technicians, technological innovation and scale of operations;

- two first-class EPC qualifications in relation to municipal and public facilities construction and highway construction;

- one second-class EPC qualification in relation to mechanical and electric installation;

- seven first-class professional contracting qualifications relating to building and highway construction; and

- a Grade A qualification for the construction of turn-key foreign technical assistance projects.

The Group believes that such top-grade qualifications have enabled it to provide comprehensive and fully-integrated construction solutions to respond to its customers' demand for general and specialized construction contracting, project design and engineering, and survey and consultancy services. The Group also has the qualifications to undertake the construction of turn-key foreign technical assistance projects and to conduct the operation of foreign labor services collaboration. These qualifications equip the Group with the capabilities to undertake overseas construction projects, which provide the Group with opportunities to increase its brand awareness in the international construction market.

The Group has been devoted to innovation and upgrade of construction technologies. As of June 30, 2017, the Group had developed a total of 21 state-level and provincial-level engineering methods. As of the same date, the Group owned 86 patents, including 19 inventions, some of which had been in application. The Group believes that its advanced technologies and research and development capabilities have given it a competitive edge which helped to increase the opportunity to win project biddings.

The Group has undertaken construction projects in 28 provinces, municipalities and autonomous regions in China, covering more than 120 cities as of the date of this offering memorandum. Additionally, the Group has expanded its business in the overseas market to more than 30 countries worldwide as of the same date. In 2014, 2015 and 2016 and the six months ended June 30, 2017, the Group completed 463 building construction projects and 17 highway construction projects in total. As of June 30, 2017, the Group had 346 building construction projects and seven highway construction projects under construction.

For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, the Group's total operating income was RMB18,788 million, RMB18,745 million, RMB20,278 million (US$2,921 million), RMB8,354 million and RMB8,494 million (US$1,223 million), respectively. During the same periods, the Group's net profit was RMB658 million, RMB740 million, RMB741 million (US$107 million), RMB134 million and RMB318 million (US$46 million), respectively. As of June 30, 2017, the Group's total assets was RMB25,769 million (US$3,712 million).

Recent Development

Since July 1, 2017 and up to the date of this offering memorandum, the Company has in aggregate entered into 46 newly-signed building construction contracts and one highway construction contract.

In September 2017, the Company increased its registered capital to RMB1,242 million (US$179 million) by converting the increase in its capital reserves, attributable to the premium it received from issuance of shares, to its share capital.

Milestones

The following summary sets forth the milestones of the Group:

1958	Haimen County Construction Engineering Company, the Company's predecessor, was established in Haimen County, Jiangsu Province.
1983	The Group undertook its first overseas construction project which was located in Kuwait.
1996	One of the Group's projects was awarded the "Lu Ban Award for China Construction Engineering", which is the most prestigious award given by HOHURD for construction quality excellence in China.
2001	The Company was incorporated as a limited liability company in China under the name "Jiangsu Nantong Sanjian Construction Group Company Limited"(江蘇南通三建集團有限公司) as a result of the restructuring and reorganization of its predecessor under the approval of Haimen Municipal People's Government.
2005	The Company obtained a premium class housing construction EPC qualification, and the Group was named among "Top 500 Enterprises in China" by China Enterprise Confederation.
2010	The Group undertook its first foreign technical assistance project in Yemen.
	The Group was listed among "Top 250 Global Contractors" by the ENR for the first time.

2013	One of the Group's overseas projects was awarded the "Lu Ban Award for China Construction Engineering (Overseas Projects)(中國建設工程(境外工程)魯班獎)" by MOHURD for the first time.
	"Nantong Sanjian(南通三建)" was recognized as "China Well-known Trademark(中國馳名商標)" by the Trademark Office of The State Administration For Industry & Commerce of the People's Republic of China(國家工商行政管理總局商標局).
2014	In February 2014, the Company acquired Anhui Province Luwang Traffic Construction Group Co., Ltd.(安徽省路網交通建設集團有限公司), the predecessor of Anhui Luwang.
	The Company issued its debut 3-year RMB200 million medium-term notes in China on November 6, 2014.
2015	Anhui Luwang issued its 3-year RMB100 million small and micro enterprises private placement bonds in China on April 15, 2015.
	The Company issued its second 3-year RMB500 million medium-term notes in China on September 15, 2015.
2016	The Company was transformed into a joint stock limited liability company on April 6, 2016 with a registered capital of RMB50,128,000 and was renamed "Jiangsu Nantong Sanjian Construction Group Co., Ltd".
	The ordinary shares of the Company were listed on the NEEQ (stock code: 838583) on July 27, 2016.
	The Group was ranked 11th among the "2016 Top 80 Contractors in China" by the ENR and China's Construction Times in November 2016.
2017	The Company increased its registered capital to RMB621 million (US$89 million) by way of issuing new shares to institutional investors on the NEEQ in China in March 2017.
	The Company issued five-year 6.8% corporate bonds in a total principal amount of RMB1 billion (US$144 million) in China in April 2017. The net proceeds of the issue of the corporate bonds were used primarily to replenish its working capital.

Competitive Strengths

The Company believes that its business success is largely attributable to its competitive strengths set forth below:

A highly-recognized market-leader with a proven track record focusing on building and highway construction projects in China

The Company is a leading private construction company in China, which focuses on building and highway construction projects and is headquartered in Jiangsu Province. It traces its operating history back to the establishment of its predecessor in 1958, Haimen County Construction Engineering Company which was one of the first construction companies in Jiangsu Province. With nearly 60 years of robust development, the Group has grown into a large construction group which has undertaken construction projects in 28 provinces, municipalities and autonomous regions in China and over 30 overseas countries.

Over the past decades, the Group has established its industry prestige and received a large number of awards due to its strong execution capabilities and its track record of delivering quality construction projects, including some landmark projects in China and overseas. The Company was:

- listed as one of the "Top 80 Contractors in China" (formerly known as "Top 60 Contractors in China") jointly published by the ENR and Construction Times in 2016 for 12 consecutive years;

- listed as one of the "Top 250 Global Contractors" by the ENR in 2017 for 11 times and ranked 35th in 2017;

- listed as one of the "Top 500 Enterprises in China" in 2017 for 13 consecutive years and ranked 194th in 2017;

- listed as one of the "Top 500 Private Enterprises in China"(中國民營企業500強) for eight consecutive years and ranked 40th in 2017; and

- a National Excellent Construction Contractor and a National AAA Engineering Construction Contractor.

Strong R&D capability and commitment to innovation

The Company values innovation and is committed to exploring new construction techniques and technologies that help to address the ever-evolving market demand and expectation for quality excellence. As of June 30, 2017, the Group had 86 patents, including 19 inventions, and had obtained 95 state-level or provincial-level quality control (QC) achievements as of the same date. Moreover, as of June 30, 2017, the Group held five state-level engineering methods recognized by the MOHURD for significant and innovative construction methods, and had also developed 16 provincial-level engineering methods. The Group actively participates in the drafting of technical specifications that form the PRC construction industry standards. See "Business – Research and Development." Advanced techniques and technologies strongly support the Group to improve its execution efficiency and allow it to better respond to its customers' diversified specifications on construction projects.

To further enhance its R&D capability, the Group collaborates with many top universities, research institutions and other construction companies in China to develop innovative technologies and construction process methods. In addition, the Group is in the process of applying for the recognition of High-New Technology Enterprise (HNTE) status as of the date of this offering memorandum. The Group has also established a postdoctoral workstation approved by the Ministry of Education of the PRC and a provincial-level research center, which is one of the few provincial-level R&D centers in the construction industry in Jiangsu Province. In recent years, the Group increased its investments in energy efficiency and emission reduction technologies and has designed "green buildings" and "passive houses" in response to government policies to promote the environmental protection and energy conservation in China.

Recognized execution capability to consistently deliver high quality projects

The Group is widely acclaimed for the high quality of the construction projects it delivers. For the three years ended December 31, 2016 and for the six months ended June 30, 2017, the Group completed 463 building construction projects and 17 highway construction projects, and the Group maintained 100% first pass rate upon delivery for acceptance with respect to its construction projects. As of June 30, 2017, seven of the Group's construction projects had received the "Lu Ban Award for China Construction Engineering" and six of its construction projects had received the "National High-quality Project Award", both of which are regarded as the most prestigious awards for quality excellence in the PRC.

As of June 30, 2017, the Group had also won "National User Satisfied Project(全國用戶滿意工程)" for three projects, "Jiangsu Yangtze Cup Award(江蘇省揚子杯獎)" for 55 projects, "Shanghai Magnolia Award(上海市白玉蘭獎)" for 15 projects and various provincial and municipal high-quality project awards for more than 600 projects. More than 100 of the Group's construction projects were recognized as "New Technology Application Demonstration Project in the Building Industry of the Province(省建築業新技術應用示範工程)" as of the same date. In addition, the Company obtained the ISO9000 quality management system certification.

Strict risk control measures and centralized management system

The Group adopts strict risk control measures with three tiers, from its headquarter to its branches and to individual project units. Generally, the Company is responsible for the financing, human resources, management and decision-making of the Group. Its branches are responsible for the execution and management of individual construction projects located within their respective regions. Such centralized management system and multi-level risk control system allow the Company to exercise effective control over the operations of the Group, while ensuring its branches and individual project units are provided with sufficient resources and also properly incentivized. The Group implements its centralized management system with a focus on the following aspects:

- *Tender-bidding management*. The Group primarily obtains orders through public tender-bidding process. To further enhance its efficiency, the Company has established a "Construction Project Bidding Management Team(工程投標管理領導小組)" that coordinates bidding activities by different branches in different regions. The Company is also responsible for the review and approval of bidding materials in connection with construction contracts for projects with contract area over 50,000 sq.m. and contract value higher than RMB50 million.

- *Capital management.* The funds of its branches are under the Company's centralized management. The internal contractors of the relevant construction project may obtain financing on its own or may apply to the Company for project loans, provided that the internal contractor and the management personnel of the relevant branch company provide personal guarantee and that the loan proceeds will be used exclusively to finance the relevant project.

- *Personnel management.* In principle, the Company appoints managers of its respective regional branches and the directors of board of the Company generally act as legal representatives of the relevant subsidiaries. The Company coordinates the management of construction teams, which are under the direct supervision and management of the relevant branches/subsidiaries in charge of the projects and the respective project units shall also appoint responsible team managers.

- *Contract control.* All EPC construction contracts are, without exception, entered into in the name of the Company. The branch companies will then assign the contracted work to internal contractors. The responsible branches will supervise the entire process and various aspects of the relevant construction projects, including negotiation, execution of the contracts, construction safety and quality, progress of the construction work, cost assessment and after-sale services.

- *Safety control.* The Group pays special attention to production safety and has instituted a number of internal guidelines and operating procedures as part of its safety control measures. For instance, the Company, together with its branch companies may conduct safety inspections on its construction projects on an *ad hoc* basis. The Group did not experience any material safety accidents in 2014, 2015, 2016 and the six months ended June 30, 2017.

- *Quality dispute management.* All quality disputes over construction projects under contracts entered into by the Company shall be handled by the Company in a unified manner. The Company will also undertake the remaining work and coordinate among its branches in the event that a project manager fails to, for various reasons, complete the contracted work.

Access to diverse financing channels supported by prudent risk management

The Group has access to various sources of capital to support its liquidity position and satisfy its need for low-cost capital. Over the years, the Group has established a stable business relationship with many major commercial banks and financial institutions in China. As of June 30, 2017, the Group had obtained committed credit facilities with a total amount of RMB6,276 million (US$904 million), of which RMB842 million (US$121 million) was unused. In 2014 and 2015, the Group issued two medium term notes with a total principal amount of RMB700 million and issued RMB100 million small and micro enterprise private placement bonds. Moreover, the Company issued two series of the corporate bonds in October 2016 and April 2017, respectively, each with a total principal amount of RMB1 billion. The Company also raised capital on the equity capital market in China by listing its ordinary shares on the NEEQ in July 2016.

The Company adopts a set of comprehensive policies and guidelines to ensure a prudent and sustainable expansion of its business. The Company has implemented centralized control over cash management and major financing activities within the Group to increase the efficiency of cash utilization and to lower financing costs. The Company also closely monitors and controls its indebtedness level to manage its credit risk. For the three years ended December 31, 2016 and the six months ended June 30, 2017, the Group had maintained a debt-to-asset ratio of less than 70%.

Experienced and professional senior management team

The Company's management team consists of highly-experienced professionals, a majority of whom have received various national awards and high recognitions in the PRC construction industry. For example, Mr. Huang Yuhui, the chairman of the Company's board of directors, is a senior engineer and economist holding a master degree. Mr. Huang has more than 20 years' experience in the construction industry and has led a number of construction teams which have won numerous prestigious awards for their construction projects, such as the "Lu Ban Award for China Construction Engineering". Most members of the Company's senior management have strong expertise leveraging their rich experience in the construction industry in China any corporate management.

To further enhance its management team's capabilities in business administration, the Company also organizes regular trainings for its senior- and mid-level executives at top business schools of world-class universities in China, such as Tsinghua University and Peking University.

The Group believes that its experienced and professional management team has contributed to its success and its leadership will continue to be a critical factor for its business development and long-term growth.

Business Strategies

The Group is committed to strengthening its market position in China and aims to develop itself into a world-leading construction contractor through the following strategies:

To further enhance its leading position and increase its market share in domestic building construction industry

The Group plans to capitalize on the Beijing-Tianjin-Hebei Integration development strategy and to focus on business opportunities along the Yangtze River Delta Region. The Group plans to continue to focus on projects in the large-scale construction markets and further develop the medium-sized and emerging markets. The Group believes that a diversified business portfolio will enhance its revenue-generating capabilities and mitigate its operational risks associated with being concentrated in a single market. Leveraging its top-grade qualifications, strong project execution and research capabilities and high brand recognition, the Group plans to continue to focus on improving its project construction techniques and technologies, enhancing its project management capabilities to maintain its market position and to expand its business into more regional markets in China to achieve stable growth.

The Group aims to undertake projects under different business models to achieve balanced and sustainable development. Supported by its capital resources, the Group plans to enhance its position in the high-end market through the development of "intelligent buildings", "green buildings" and boutique buildings to promote further development of its building construction business.

To further expand its business in the overseas market

With over 30 years of extensive operation experience in the overseas construction market and leveraging its premium qualification to undertake foreign technical assistance projects, the Group aims to further enhance its international presence and to increase its market share in the overseas market. The Group plans to take advantage of the "Belt and Road Initiative" promoted by the PRC government to identify and capture appropriate business opportunities that enhance the Group's brand awareness overseas.

To adhere to its commitment to whole-industrial-chain operation strategy

The Group adheres to the development strategy of whole-industrial-chain operation and has developed comprehensive capacities which allow the Group to undertake a wide range of projects and to provide diversified services at many key stages of project development, such as housing construction, municipal public facilities construction, construction installation works, building decoration, architectural design and investment. Underpinned by its strong construction business and solid industry experience, the Group plans to promote the "comprehensive infrastructure construction" development model. Further, the Group plans to diversify its business portfolio and expand into new markets by leveraging the "Internet+" concept and "Finance+" strategy in the coming years. The Group aims to further leverage its access to capital market to support its business development strategies.

To enhance its R&D capability and capitalize on technological innovation

Leveraging its post-doctoral workstation platform and the establishment of a provincial-level research and development base in Jiangsu Province, the Group plans to increase its investment in technology and research and development. The Group will collaborate with leading domestic and overseas institutions such as University of Columbia, Tsinghua University and Tongji University to strengthen its proprietary innovation capability. The Group plans to further develop new technologies in the construction industry such as 3D printing technology, low-energy-consuming "green building", "construction intelligent robots" technology, to speed up the industrialization and modernization of its construction business.

To build stronger brand image and increased brand awareness

The Group will focus on undertaking the construction work of ultra-high-rise buildings with complex structure, which requires the support of industry-leading technology and solid project management experience. The Group also plans to undertake various landmark projects nationwide to build a stronger brand image in China. Through its further expansion in the overseas construction market, the Group aims to increase its brand awareness in the international market.

The Group's Businesses

The Group primarily engages in building construction and highway construction. The following table sets forth a breakdown of the Group's total operating income by business segment for the periods indicated:

	For the year ended December 31,							For the six months ended June 30,				
	2014		2015		2016			2016		2017		
	Amount	% of Total	Amount	% of Total	Amount	Amount	% of Total	Amount	% of Total	Amount	Amount	% of Total
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(US$'000) (unaudited)	(%)	(RMB'000) (unaudited)	(%)	(RMB'000) (unaudited)	(US$'000) (unaudited)	(%)
Building Construction	17,959,789	95.6	18,046,929	96.3	19,484,501	2,806,352	96.1	8,045,700	96.3	8,114,315	1,168,705	95.5
– Civil building[(1)]	14,152,052	75.4	14,808,105	79.0	16,033,314	2,309,278	79.1	6,699,442	80.2	6,680,626	962,210	78.7
– Industrial building[(2)]	1,365,373	7.3	1,557,985	8.3	1,690,551	243,490	8.3	630,735	7.6	654,214	94,226	7.7
– Public facilities[(3)]	1,651,832	8.8	1,181,962	6.3	1,226,524	176,656	6.1	525,055	6.3	578,913	83,381	6.8
– Other projects[(4)]	790,532	4.2	498,878	2.7	534,112	76,928	2.6	190,468	2.3	200,562	28,887	2.4
Highway Construction	804,589	4.3	469,309	2.5	647,985	93,329	3.2	242,860	2.9	301,766	43,463	3.6
Other Business[(5)]	23,682	0.1	228,369	1.2	145,389	20,940	0.7	65,100	0.8	77,441	11,154	0.9
Total Operating Income	**18,788,059**	**100.0**	**18,744,607**	**100.0**	**20,277,876**	**2,920,622**	**100.0**	**8,353,660**	**100.0**	**8,493,522**	**1,223,322**	**100.0**

Notes:

(1) Civil building construction projects mainly include residential buildings and office buildings.

(2) Industrial building construction projects mainly include factories and warehouses.

(3) Public facilities construction projects mainly include buildings for educational, medical, cultural, sporting or recreational purposes (e.g. schools and hospitals) and municipal and public facilities.

(4) Other projects mainly include mechanical and electrical installations and decoration projects.

(5) Other business comprises mainly trading business and provision of architectural designing services.

Building Construction

Overview

Building construction has been the Group's core business since its inception. The Group has a track record of nearly 60 years in the construction of different types of civil buildings (mainly residential properties and office buildings), industrial buildings (mainly factories and warehouses) and public facilities (such as hospitals and schools). Substantially all of the Group's operating income was generated from its building construction segment, which was mainly derived from the Group's civil building construction projects. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, operating income from the Group's building construction segment was RMB17,960 million, RMB18,048 million, RMB19,485 million (US$2,806 million), RMB8,046 million and RMB8,114 million (US$1,169 million), respectively, representing 95.6%, 96.3%, 96.1%, 96.3 and 95.5%, respectively, of the Group's total operating income for the relevant periods.

The Group undertook most construction projects as a general contractor. As a general contractor, the Group performs all major aspects of a construction project, including building construction, foundation works, curtain wall construction, building decoration and fire proofing projects. The Group is also responsible for engaging subcontractors to provide construction services and the labor force for the construction project, coordinating the work of all parties, providing the major equipment and machinery, procuring raw materials and ensuring that the construction project is on schedule. Major construction projects in which the Group acts as a general contractor typically require an average of one to three years to complete.

The Group's premium class housing construction EPC qualification has enabled it to undertake larger-scale building construction projects with increased complexity and higher returns nationwide, as well as charge a premium rate for its services. The Group has participated in the construction of a number of landmark building projects both nationwide and in the overseas market. These high-profile landmark building projects include, among others, Beijing Olympic arena, Shanghai Hongqiao Airport Terminal, Oriental Pearl TV Tower, Shanghai Jinmao Tower, World Expo Italy Pavilion, Suzhou Oriental Gate, Russian Federation Building and the Royal Palace of Kuwait. In 2014, 2015, 2016 and the six months ended June 30, 2017, the Group completed 463 building construction projects in total.

In 2014, 2015, 2016 and the six monts ended June 30, 2017, the Group's new contract value under its building construction segment amounted to RMB21,838 million, RMB22,124 million, RMB22,888 million (US$3,297 million) and RMB12,240 million (US$1,763 million,) respectively. As of December 31, 2014, 2015, 2016 and as of June 30, 2017, the backlog contract value of the Group's building construction business amounted to RMB37,554 million, RMB38,712 million, RMB40,159 million (US$5,784 million) and RMB42,544 million (US$6,128 million). As of June 30, 2017, the Group had 346 building projects under construction with a total construction area of approximately 20,291,071 sq.m.

Business model

The Group obtains orders for domestic projects mainly through public tender-bidding or strategic cooperation model. The Group undertakes overseas projects mainly through foreign technical assistance model or foreign business operation model.

Domestic Projects

- *Tender-Bidding Model*

The Group obtains orders for building construction projects primarily through public tender and bidding process. The Group normally submits its bid through its branches or subsidiaries in the relevant regions where the projects are located and the Company is responsible for coordinating the bid submission process. All submissions shall be approved by the Company, from the initial feasibility research report to final contracts signing stage. The Group normally undertakes the construction work through its own project companies. Depending on the complexity of the projects, the Group may subcontract construction work to other professional companies to improve the time-and cost-efficiency of the relevant projects. The Group is normally required to obtain the property owner's approval on subcontracting and needs to ensure compliance with applicable laws and rules by its subcontractors.

- *Strategic Cooperation Model*

Under the strategic cooperation model, the Company normally enters into long-term strategic cooperation agreement with reputable and sizeable property developers, and assigns the respective construction work to its local project companies according to the location of the relevant projects. The Group has established interactive interview mechanism to proactively understand customers' demands, in order to maintain stable and continuous relationships with high quality and key customers. The Group has established strategic cooperation relationship with a number of state-owned and private well-known property developers, including, among others, Evergrande Real Estate Group Ltd., CITIC Real Estate Co., Ltd., China Resources Land Ltd. and China Vanke Co., Ltd.

- *Payment and Settlement Arrangement*

The payment of contracting fees is normally determined by reference to payment terms under the relevant contract for domestic projects. There are normally three major stages relating to the payment of contracting fees, namely (i) construction stage, (ii) after receipt of the acceptance and compliance certificate and before settlement, and (iii) settlement.

At the construction stage, the owner of a project generally pays for 70%-85% of the actual construction costs incurred by the Group on a cumulative basis. After completion of construction and upon receipt of the acceptance and compliance certificate of construction completion, the project owner is normally required to pay 85%-90% of the total contract value of the project (including the amounts the Group has received at the construction stage). Upon settlement after audit of construction costs and any agreed adjustment to the original contract value, the project owner will normally pay 95%-98% of the agreed settlement amount (including all the amounts the Group has received prior to settlement). The remaining 2%-5% is typically withheld by the project owner for one to five years, determined on a case-by-case basis, as quality warranty for the relevant project. The Group believes that such progressive payment arrangements effectively ensure the collection of its contracting fees and help replenish its working capital.

Overseas Projects

- *Foreign Technical Assistance Project Model and Payment Arrangement*

The Group from time to time undertakes foreign technical assistance projects in Asian, African and Latin American countries through participation of tender-bidding events organized by the Ministry of Commerce of the PRC ("MOFCOM"). Leveraging its strong brand name and high quality construction projects, the Group has won a number of bids and undertaken a series of foreign technical assistance projects in recent years, such as the National Library of Yemen, Congo (Brazzaville) Middle School and Confucius Institute at the University of Zambia.

The Group faces relatively low payment collection risks in connection with its foreign technical assistance projects, because it generally contracts with and collects payments directly from either the MOFCOM or China State Construction Engineering Corporation Ltd.(中國建築工程總公司), one of the largest state-owned construction companies in the PRC according to the Top 250 Global Contractors by the ENR in 2016. Typically, under a foreign technical assistance project construction agreement, the Group requests advance payment of 30% of the total construction fee under the contract to procure raw materials and equipment. The Group receives another 20% of the total construction fee upon commencement of the construction work and collects the remaining amount according to the payment progress as prescribed in the relevant contract.

- *Foreign Business Operation Project Model and Payment Arrangement*

Under the foreign business operation project model, the Group negotiates and contracts directly with local foreign governments relating to the construction of public facilities, including hospitals, schools and stadiums.

Generally, foreign business operation projects offer higher profit margin but have higher credit risks compared to foreign technical assistance projects. In order to effectively control its risk exposure under this model, the Group normally requires project owners to prepay 60% of the construction fee under the relevant contracts upon execution of the construction agreement and prior to the commencement of construction work. The Group also requires the project owner to settle 90% of the total construction fee under the relevant contracts upon completion of the main structure, before proceeding to the interior decoration work. The remaining amounts shall be settled upon completion of the projects.

Building construction business by types of projects

The Group primarily engages in the construction of different types of civil buildings, industrial buildings and public facilities.

The Group's civil building construction projects contribute to a substantial majority of the operating income generated from the Group's building construction segment. Its civil building construction projects primarily consist of residential buildings and office buildings. Customers of the Group's civil building projects are generally real estate developers. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, the Group's civil building construction generated operating income of RMB14,152 million, RMB14,809 million, RMB16,033 million (US$2,309 million), RMB6,699 million and RMB6,681 million (US$962 million), respectively, representing approximately 75.3%, 79.0%, 79.1%, 80.2% and 78.7% of its total operating income for the same period.

The Group's industrial building construction projects primarily consist of factories and warehouses. For industrial building construction projects, its customers primarily include various types of industrial enterprises. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, the Group's industrial building construction generated operating income of RMB1,365 million, RMB1,558 million, RMB1,691 million (US$243 million), RMB631 million and RMB654 million (US$94 million), respectively, representing approximately 7.3%, 8.3%, 8.3%, 7.6% and 7.7% of its total operating income for the same period.

The Group's public facilities construction projects primarily consist of buildings for educational, medical, cultural, sporting or recreational purposes (e.g. schools and hospitals) and municipal and public facilities. Customers of the Group's public facilities construction projects are primarily local governments and their controlled entities. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, the Group's public facility projects generated operating income of RMB1,652 million, RMB1,182 million, RMB1,227 million (US$177 million), RMB525 million and RMB579 million (US$83 million), respectively, representing approximately 8.8%, 6.3%, 6.1%, 6.3% and 6.8% of its total operating income for the same period.

Building construction business by geographic distribution

As of the date of this offering memorandum, the Group's construction business has covered more than 120 cities in China and mainly focuses in regions with rapid economic growth, such as Beijing, Tianjin, Qingdao, Nanjing and Shanghai. In 2014, 2015, 2016 and the six months ended June 30, 2017, the Group's building construction projects were mainly concentrated in Jiangsu Province, Shandong Province, Beijing, Shanghai and Tianjin. The following tables set forth the geographic distribution of the Group's building construction projects in 2014, 2015, 2016 and the six months ended June 30, 2017, respectively:

Year ended December 31, 2014

Geographic Location	Construction Area ('000 square meters)	% of Total (%)	Contract Value (RMB million)	% of Total (%)
Jiangsu Province	2,409	19.6	5,512	19.4
Shandong Province	2,875	23.3	6,525	22.9
Beijing	991	8.1	2,254	7.9
Shanghai	1,346	10.9	3,125	11.0
Tianjin	1,181	9.6	2,756	9.7
Other regions[(1)]	3,073	24.9	6,954	24.4
Overseas	444	3.6	1,325	4.7
Total	**12,319**	**100.0**	**28,451**	**100.0**

Year ended December 31, 2015

Geographic Location	Construction Area ('000 square meters)	% of Total (%)	Contract Value (RMB million)	% of Total (%)
Jiangsu Province	2,457	20.3	5,906	20.4
Shandong Province	2,713	22.4	6,500	22.4
Beijing	1,053	8.7	2,555	8.8
Shanghai	1,321	10.9	3,183	11.0
Tianjin	1,253	10.4	2,989	10.3
Other regions[(1)]	2,875	23.8	6,786	23.4
Overseas	422	3.5	1,046	3.6
Total	**12,093**	**100.0**	**28,965**	**100.0**

Year ended December 31, 2016

Geographic location	Construction Area ('000 square meters)	% of Total (%)	Contract Value (RMB million)	Contract Value (US$ million)	% of Total (%)
Jiangsu Province	2,538	20.8	6,114	881	20.4
Shandong Province	2,785	22.8	6,731	969	22.4
Beijing	1,016	8.3	2,878	415	9.6
Shanghai	1,351	11.1	3,558	512	11.9
Tianjin	1,276	10.5	321	46	10.7
Other regions[(1)]	2,913	23.9	6,911	995	23.0
Overseas	330	2.7	588	85	2.0
Total	**12,208**	**100.0**	**29,990**	**4,319**	**100.0**

Six months ended June 30, 2017					
Geographic Location	**Construction Area**	**% of Total**	**Contract Value**		**% of Total**
	('000 square meters)	**(%)**	**(RMB million)**	**(US$ million)**	**(%)**
Jiangsu Province	1,215	20.9	2,968	427	20.9
Shandong Province	1,324	22.8	3,287	473	23.1
Beijing	525	9.0	1,522	219	10.7
Shanghai	609	10.5	1,662	239	11.7
Tianjin	596	10.3	1,495	215	10.5
Other regions[(1)]	1,360	23.4	2,965	427	20.8
Overseas	185	3.2	327	47	2.3
Total	**5,813**	**100.0**	**14,226**	**2,049**	**100.0**

Note:

(1) Other regions of the PRC, including, among others, Guangdong Province, Henan Province and Hebei Province.

Newly-signed building construction contracts

The table below sets forth certain key information of the Group's newly-signed building construction contracts in 2014, 2015, 2016 and the six months ended June 30, 2017:

	Year ended December 31,			Six months ended June 30,
	2014	**2015**	**2016**	**2017**
Completed area ('000 square meters)	11,056	10,999	11,263	5,569
Construction area ('000 square meters)	11,775	11,643	11,731	5,697
Construction area for newly-undertaken projects ('000 square meters)	10,223	10,039	10,292	5,113
Contract value for newly-signed contracts (RMB million)	21,838	22,124	22,888	12,240
Backlog contract value at the end of relevant period (RMB million)	37,554	38,712	40,159	42,544

The table below sets forth a breakdown of the Group's newly-signed building construction contracts by geographic distribution in 2014, 2015, 2016 and the six months ended June 30, 2017:

	Year ended December 31,							Six months ended June 30,		
	2014		2015		2016			2017		
	Contract value of newly-signed contracts	% of Total	Contract value of newly-signed contracts	% of Total	Contract value of newly-signed contracts		% of Total	Contract value of newly-signed contracts		% of Total
	(RMB million)	(%)	(RMB million)	(%)	(RMB million)	(US$ million)	(%)	(RMB million)	(US$ million)	(%)
Jiangsu Province	4,737	21.7	4,912	22.2	5,037	725	22.0	2,601	375	21.3
Shanghai	2,562	11.7	2,531	11.4	2,678	386	11.7	1,222	176	10.0
Beijing	1,747	8.0	1,762	8.0	1,698	245	7.4	895	129	7.3
Shandong Province	4,804	22.0	5,254	23.7	5,221	752	22.8	2,789	402	22.8
Tianjin	1,895	8.7	1,982	9.0	1,910	275	8.3	1,005	145	8.2
Anhui Province	1,984	9.1	954	4.3	1,101	159	4.8	610	88	5.0
Henan Province	349	1.6	598	2.7	1,221	176	5.3	1,141	164	9.3
Other regions[(1)]	2,974	13.6	3,447	15.6	3,331	480	14.6	1,584	228	12.9
Overseas	786	3.6	684	3.1	691	100	3.0	383	55	3.2
Total	**21,838**	**100.0**	**22,124**	**100.0**	**22,888**	**3,297**	**100.0**	**12,240**	**1,763**	**100.0**

Note:

(1) Other regions of the PRC, including, among others, Guangdong Province and Hebei Province.

Backlog

Backlog represents the Group's estimate of the contract value of work that remains to be completed as of a certain date. Backlog is different from the contract value of a project which represents the amount that the Group expects to receive under the terms of the contract assuming the contract is performed in accordance with its terms. Backlog is not a measure defined by generally accepted accounting principles and may not be indicative of the Group's future operating results. Many contracts do not require the Group's customers to purchase a minimum amount of services and are subject to termination by the customer on short notice. The contract value of such projects may be recorded in the Group's backlog, and the scope of work with respect to contracts reflected in its backlog may at times be adjusted. In addition, poor project selection or difficulties in contract performance may lead to inaccuracies with respect to the estimated income from uncompleted contracts.

As of June 30, 2017, the backlog of the Group's building construction projects was RMB42,544 million (US$6,128 million), consisting of backlog of RMB30,304 million (US$4,365 million) for projects under construction and backlog of RMB12,240 million (US$1,763 million) for new construction projects. The following table sets forth a breakdown of the backlog of the Group's building construction projects by project type as of June 30, 2017:

	As of June 30, 2017		
	Amount	Amount	% of Total
	(RMB'000)	(US$'000)	(%)
Civil building construction projects	34,460,640	4,963,365	81.0
Industrial building construction projects	3,403,520	490,209	8.0
Public facilities construction projects	2,978,080	428,933	7.0
Other types of construction projects	1,701,760	245,104	4.0
Total backlog of building construction projects	**42,544,000**	**6,127,611**	**100.0**

Building construction projects

The following table sets forth the movement of the number of the Group's building construction projects in 2014, 2015, 2016 and the six months ended June 30, 2017:

	Year ended December 31,			Six months ended June 30,
	2014	2015	2016	2017
Opening number of projects[(1)]	320	334	319	333
Number of new construction projects[(2)]	145	124	142	78
Number of completed construction projects[(3)]	131	139	128	65
Closing number of projects[(4)]	334	319	333	346

Notes:

(1) Opening number of projects means the number of construction projects whose the percentage of completion had not reached 100% as of the beginning of the relevant year or period indicated.

(2) Number of new construction projects means the number of construction projects awarded to the Group during the relevant year or period indicated.

(3) Number of completed construction projects means the number of construction projects whose the percentage of completion reached 100% during the relevant year or period indicated.

(4) Closing number of projects means the number of construction projects whose the percentage of completion had not reached 100% as of the end of the relevant year or period indicated.

Signature Completed Projects

- *Signature Completed Projects in China*

Zhabei District Cultural Museum and Daning Community Cultural Activity Centre

This project is located in Zhabei District of Shanghai. It is a comprehensive cultural exchange center with theatre, exhibition hall, practice areas, restaurants and offices, with a total GFA of 34,602 sq.m. The project was commenced on February 26, 2009 and was completed on December 22, 2010. It was awarded the Lu Ban Award for China Construction Engineering, Shanghai Municipal Civil Defense Cup and Jinshi Comprehensive Award.

National University Science Park of China Mining University Headquarters Foundation Construction Project (Tower 1 and Tower 2)

This project is located at National University Science Park of China Mining University (中國礦業大學國家大學科技園) with a total construction area of 76,085 sq.m. The project commenced on June 3, 2008 and was completed on December 4, 2009. It was awarded the National Quality Engineering Award and Jiangsu Yangtze Cup Award.

Sheraton Qingdao Jiaozhou Hotel Project

This project is located in Jiaozhou of Shandong Province with a total construction area of 60,883.42 sq.m. The project commenced on July 1, 2010 and was completed on April 30, 2012. The project is adjacent to picturesque tourist attractions such as Sanlihe Park (三里河公園) and Shaohai New City (少海新城), and is in connection with business districts such as international logistics centers and Jiaozhou Bay Industrial New District (膠州灣產業新區). It was awarded the National Quality Engineering Award and Taishan Cup (泰山杯).

- *Signature Completed Projects in Oversea Countries*

The following briefly describes certain key information of some of the signature building construction projects the Group completed in oversea countries in recent years. The four overseas building construction projects set out below have been granted "Excellent" level rating from the project inspection and acceptance team of MOFCOM, which is the highest rating awarded to construction projects by MOFCOM.

Confucius Institute of University of Zambia Economic Assistance Construction Project

The project is located in the campus of University of Zambia. The University of Zambia was established in 1965 and located in New District of Lusaka, the capital of Zambia. The project consisted of two parts, educational office building and teacher dormitory. It has a total coverage area of 18,150 sq.m. and total construction area of 6,038 sq.m. The project was commenced on May 9, 2014 and completed on October 25, 2015.

The Republic of Congo Secondary School Economic Assistance Construction Project

The project is located in the northern part of Brazzaville, the capital of the Republic of Congo. The project consists of education complex building, teacher dormitory, rooms, power generator rooms, pumping stations and outdoor areas. It has a total coverage area of 22,300 sq.m. and total construction area of 8,520 sq.m. The project was commenced on April 27, 2013 and completed on November 26, 2014.

Yemen and China Friendship Hospital Economic Assistance Construction Project

The project is the largest hospital project in Yemen, with its total construction area of 10,090 sq.m. The hospital has 120 beds, eight floors in total, one underground floor and seven floors above the ground, and is equipped with the most modernized medical equipment. The Company acted as the general contractor in this project. The construction work took approximately 24 months, commencing on June 17, 2010 and completing on May 28, 2013.

The Democratic Republic of Congo Government Complex Office Building Assistance Construction Project

The project is located in Kinshasa, the capital of the Democratic Republic of Congo. The project consisted of, among other things, government office building, three guard rooms and equipment storage rooms, with its total construction area of approximately 20,600 sq.m. The project's contract period was 24 months, commencing on June 25, 2015 and completing on June 16, 2017. The project has been one of the largest-sized economic assistance projects of China in recent years.

The table below sets forth a selected signature building construction projects the Group had completed as of June 30, 2017:

Project Name	Contract Value	Commencement Date[1]	Completion Date	Awards/Honors
	(RMB'000)			
Chongming Cultural Activities and Licensing Service Center (崇明文化活動及證照服務中心)	265,490	2008.06.18	2010.10.31	Shanghai Magnolia Award, Huadong Cup (華東杯)
China's First Research and Development Building (中國一重研發大樓)	229,920	2011.07.25	2012.12.30	Tianjin Structure Haihe Cup (天津市結構海河杯)
The Democratic Republic of Congo Government Complex Office Building Assistance Construction Project (援剛果(金)政府綜合辦公室工程項目)	213,837	2015.06.25	2017.06.16	–
International Finance Center (Xinyin Building) (國際金融中心(鑫銀大厦))	200,060	2006.07.01	2009.02.10	National Quality Engineering Award, Golden Award of Haihe Cup (海河杯金奬)
Wuxi IKEA Retail Shopping Mall and Ancillary Construction Project (無錫宜家家居零售商場及配套實施工程)	192,000	2010.11.01	2012.02.28	National User Satisfied Project
Shanghai Hengrong House Project (上海恒榮府邸工程)	188,000	2011.08.10	2012.09.21	Shanghai Green Construction Conservation Type Construction Site (上海市綠色施工節約型工地)
World Financial Center (Xinghai Bay Financial Business District Lot XH-3-C Reconstruction Project) Phase A (環球金融中心(星海灣金融商務區XH-3-C地塊改造項目) A標段工程)	165,320	2008.05.06	2009.09.09	Liaoning Quality Main Structure (遼寧省優質主體結構)
Rencai Apartment Project Phase I (人才公寓1標工程)	156,030	2011.11.01	2013.06.30	Shanghai Green Construction Conservation Type Construction Site
Fenghuang International Lot B Public Construction Project (鳳凰國際B地塊公建工程)	150,000	2011.02.17	2012.12.31	Shandong Quality Structure Cup (山東省優質結構杯)
Zhabei District Cultural Museum and Daning Community Cultural Activity Center (閘北區文化館和大寧社區文化活動中心)	132,540	2009.02.26	2010.12.22	Lu Ban Award for China Construction Engineering, Shanghai Municipal Civil Defense Cup (上海市民防杯) and Jinshi Comprehensive Award (金石綜合大奬)
Pingshan County People's Hospital Relocation Project (平山縣人民醫院整體遷建工程)	121,630	2010.05.20	2012.08.21	Hebei Quality Structure (河北省優質機構)
Tai'an Dazhan International New City (泰安大展國際新城)	120,000	2010.05.10	2012.01.18	Shandong Quality Structure Cup (山東省優質結構杯)
Hai'an Suzhong Animation City Phase I (海安蘇中動漫城一期)	119,040	2010.11.20	2012.09.30	National User Satisfied Project
Sheraton Jiaozhou Lucheng Hotel (膠州綠城喜來登酒店)	111,000	2010.07.01	2012.04.30	National Quality Engineering Award, Taishan Cup (泰山杯)
Huaqi Information Operations Headquarters Building (華旗資訊運營總部大樓)	110,960	2010.02.08	2011.10.05	Tianjin Structure Haihe Cup
Pinggu Tianrun Fuyuan No. 1, 4, 6, 9 Residential Buildings (平谷天潤福源1、4、6、9號住宅樓)	108,730	2011.07.20	2012.10.31	Beijing Structure Changcheng Cup (北京市結構長城杯)

Project Name	Contract Value	Commencement Date[1]	Completion Date	Awards/Honors
	(RMB'000)			
Haier Lucheng Olympic Sports Hotel No. 1 Building (海爾綠城奧體酒店1#樓)	95,620	2008.01.12	2009.08.16	Taishan Cup
National University Science Park of China Mining University Headquarters Foundation Construction Project (Tower 1 and Tower 2) (中國礦業大學國家大學科技園總部基地1#2#樓)	93,660	2008.06.03	2009.12.04	National Quality Engineering Award, Jiangsu Yangtze Cup Award
Sun Palace No. 2 Building (太陽宮2#樓)	89,860	2009.06.18	2011.10.30	Beijing Construction Changcheng Cup (北京市建築長城杯)
Crowne Plaza Hotel (皇冠假日酒店)	72,740	2008.10.10	2012.12.15	Jiangsu Yangtze Cup Award
The Republic of Congo Secondary School Economic Assistance Construction Project (援剛果(布)中學工程項目)	72,000	2013.04.27	2014.11.26	–
Confucius Institute of University of Zambia Economic Assistance Construction Project (援贊比亞大學孔子學院工程項目)	71,000	2014.05.09	2015.10.25	–
Yemen and China Friendship Hospital Economic Assistance Construction Project (援也門也中友誼醫院工程項目)	67,000	2010.06.17	2013.05.28	–
Jiangsu University Library (江蘇大學圖書館)	56,940	2007.09.08	2008.12.30	National Quality Engineering Award
People's Liberation Army 411 Hospital Building (解放軍411醫院住院大樓)	53,620	2009.03.01	2012.11.22	Shanghai Top 10 User Satisfied Project (上海市十佳用戶滿意工程)
Changtai Western Suburb Villa Phase IIB (長泰西郊別墅二期B標)	36,000	2010.03.01	2011.01.25	Shanghai User Satisfied Project (上海用戶滿意工程)
Iron Man Wang Jinxi Memorial Hall Project (鐵人王進喜紀念館工程)	35,000	2004.05.10	2005.08.01	Lu Ban Award for China Construction Engineering
Qinghai Telecon Co., Ltd. Integrated Office Building (青海省電信有限公司綜合辦公樓)	35,000	2002.09.15	2003.10.15	Lu Ban Award for China Construction Engineering

Note:

(1) The commencement date as specified in the relevant construction contract.

Projects under Construction

The following table sets forth details of the Group's top ten building construction projects under construction by contract value as of June 30, 2017:

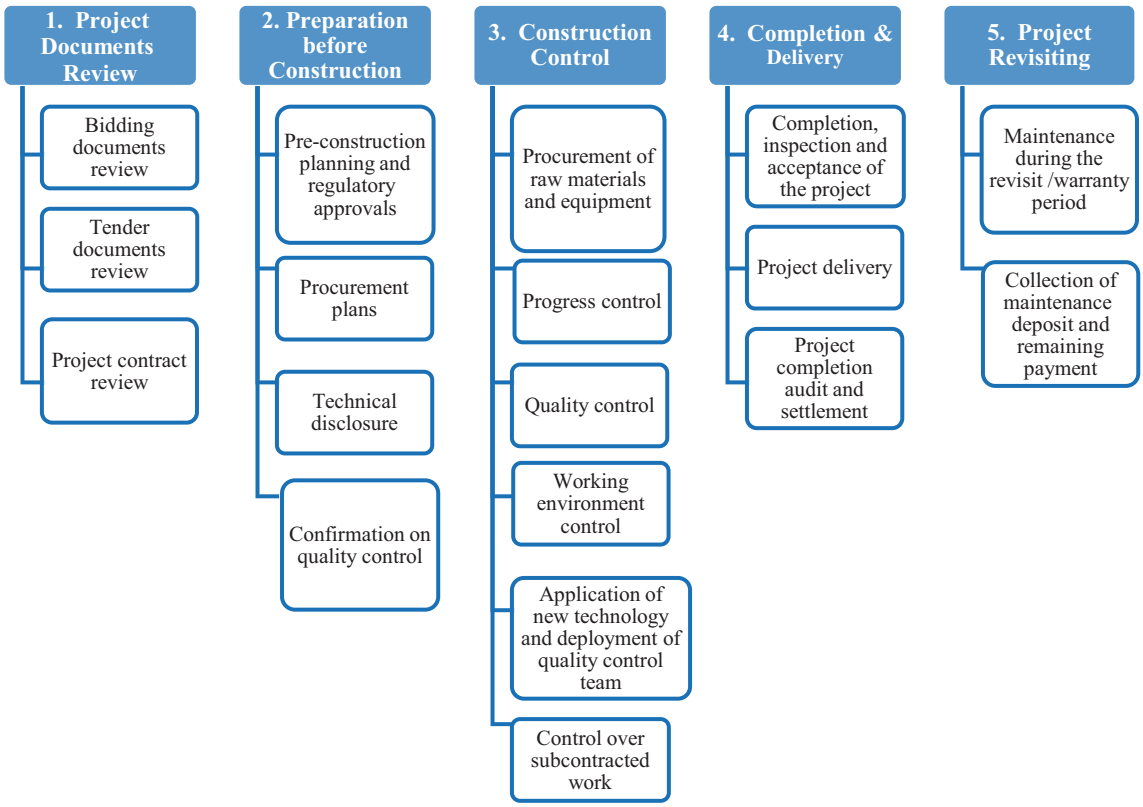
Project Name	Location of the Project	Types of Property	Construction Area (m^2)	Contract Value (RMB'000)	Construction Commencement Date[(1)]	Expected Completion Date
Yuzhou City Wenquan Town Shanty-town Renovation Construction Project (汝州市温泉鎮棚戶區改造項目施工)	Henan	Residential	647,700	1,320,000	2017.01.01	2019.05.01
Xianshan Huacheng East District Construction Phase I (峴山花城東區一期工程)	Shandong	Residential	291,652	814,350	2016.04.28	2017.08.10
Intelligent Greenhouse Steel Structure Integration Project (智能溫室鋼結構一體化項目)	Inner Mongolia	Others	500,000	750,000	2017.05.25	2018.05.24
Puyang County Weizhuang, East Street Chengzhongcun Renovation Project Second Tender (濮陽縣魏莊、東街城中村改造項目二次招標)	Henan	Residential	171,000	500,000	2017.06.25	2019.05.15
Lixin County Compulsory Education Balanced Development and Poverty Alleviation Project Engineering and Construction General Contracting Project (Section 1) (利辛縣義務教育均衡發展暨教育扶貧項目設計施工總承包(一標段))	Anhui	School	220,446	440,100	2017.06.20	2018.01.20
Huashan Jinyu Double Hatch Incubation Industrial Park (Area A) North District Construction (華山金嶼雙創孵化產業園(A區)北區工程(施工))	Shandong	Office	138,681	432,600	2016.12.08	2018.12.07
Hohhot Evergrande City Lot No. 6 Project 31# – 32#, 34#, 37# – 42# Residential Buildings and Underground Garage, Showroom, Commercial Buildings Six Principal Part and Ancillary Facility Construction Project (呼和浩特恒大城地塊六項目31#-32#、34#、37#-42#住宅樓及地下車庫、樣板間、商業六主體及配套建設工程)	Beijing	Residential	262,244	426,360	2016.09.05	2018.06.10
Guiyang Evergrande Central Plaza Lot E Principal Part and Ancillary Facility Construction (貴陽恒大中央廣場E地塊主體及配套建設工程)	Guizhou	Commercial/ Residential	310,717	410,000	2017.01.01	2018.08,16
Siping Evergrande Shoufu First Phase Principal Part and Ancillary Facility Construction Project (四平恒大首府首期主體及配套建設工程)	Liaoning	Residential	279,450	406,000	2017.04.25	2018.05.06
Tongzhou District Yongle Economic Development Zone Southern Part Lot D-14 Part of Commercial Housing Project (通州區永樂經濟開發區南部D-14地塊部分商品房項目)	Beijing	Residential	197,812	363,840	2017.06.30	2019.08.20

Note:

(1) The commencement date as specified in the relevant construction contract.

Construction process of building projects

The following flowchart summarizes the key stages of operation process in the Group's building construction business, which mainly covers project documents review, pre-construction preparation, construction control, completion and delivery of project and project revisiting:



Project Documents Review

If the Group (or any of the branches of the Company) is required to submit a bid for a construction project, it will first conduct a detailed analysis of the proposed construction project, including a comprehensive review of the technical and commercial conditions and requirements, the work scope of the project and a cost and risk assessment. With such analysis, the Group will put together a draft bid. The draft bids generally include a proposed project schedule and timeline of each construction stage as well as a schedule of rates, which primarily includes the rates charged for raw materials, equipment and machinery and labor. The Group's draft bids must be signed off by the local and regional companies, operation department, finance department and legal department of the Company before submission. Typically, the Group's bid preparation process can take one to two weeks and it generally receives the bid results from its customers within one week after submission.

If the Group is successful in its bid for a construction project, it will draft the construction contracting contract based on the tender and bidding documents and the notice of bid award or evaluate/review the terms provided in its customers' construction contracting contract. After negotiation of the construction contracting contracts, the negotiated terms will then undergo the Group's sign-off process. The Group's construction contracting contracts must be signed off by the Company's project management department and legal department.

Preparation before Construction

Upon execution of the construction contract, the Group will prepare for implementation of the construction projects by assigning project managers to the project and forming a project management team. The Group will obtain and assist its customers to obtain the necessary permits to commence the construction work. The Group will also form construction plans in accordance with the construction blueprint design, terms of the construction contract and tender-bidding documents, as well as making plans to purchase raw materials and for leasing or procuring construction equipment. The Group generally allots two to three weeks of preparation time before commencement of a construction project.

Construction Control

The duration of the Group's construction projects typically ranges from one to three years. The Group has established project management and control procedures and conducted its construction business in accordance with such procedures to ensure compliance with contract requirements. During the course of the construction projects, the Group's customers, or independent surveyors engaged by its customers, conduct regular inspection of its work. The Group also communicates regularly with its customers during the construction process to ensure that its work meets customers' expectations.

The Group's construction projects are managed by its local construction project companies, which assigns a project management team to each project. The size of each project management team will depend on the scale and complexity of the relevant construction project. Each project management team typically comprises project managers, project technical officers, as well as staff teams responsible for project accounting, construction technology, project quality and safety, supply and equipment management, labor management and construction supervision.

The project managers are mainly responsible for coordinating and managing the construction projects, allocating work within the project management team, drafting monthly construction plans, construction material procurement plans and equipment procurement or leasing plans, as well as coordinating with the customer, independent surveyors, suppliers and subcontractors, if any. The Group assigns project managers with the relevant expertise, such as in construction engineering, municipal engineering or mechanical and electrical engineering, based on the needs of each construction project. In general, the project managers have approximately three to five years of industry experience and hold Grade One or Grade Two Constructor Certificates.

The Group's technology and quality control teams manage the technical, quality control and safety aspects of its construction projects. The relevant personnel's responsibilities include organizing review of the construction blueprint design, preparing construction technology plans and detailed construction plans, as well as participating in quality and safety inspections, workplace injury investigations and project cost analyses. The Group's technology and quality control teams consist of engineers with extensive industry experience.

Completion and Delivery of Project

Upon completion of the construction project and after the project passes the Group's internal inspection, a project completion report will be submitted to the customers/property owners. The Group's customers, or third-party inspectors engaged by its customers, and the relevant government authorities will then conduct inspection on the project. From time to time, the Group's customers may require it to make certain modifications or reworks upon inspection. Upon passing the inspection, the Group will receive an acceptance of project completion report issued by its customer and other parties involved in the inspection process. The customer inspection and acceptance process generally requires approximately three to six weeks to complete. Thereafter, the Group will settle its accounts with the customer in accordance with the construction audit report mutually agreed by the Group and its customer to certify the settlement amount.

Project Revisiting

Upon completion of the construction project and during the warranty period, the Group is normally responsible for any defects during construction under the terms of the relevant construction contracts. Its customers/property owners generally retain project maintenance/quality warranty deposit equal to 3% to 5% of the settlement amount calculated upon completion and acceptance of the construction projects payable to the Group. The deposit will generally be returned to the Group in installments during the warranty period. The length of the warranty period typically ranges from one to five years, depending on the type of construction service provided by the Group. The Group normally collects substantially all of the deposit retained by its customers pursuant to the contract terms as they became due. A small portion of deposit not recovered from time to time were used by the Group's customers to perform minor reworks.

Highway construction business

The Group expanded its business portfolio from building construction to municipal highway construction through its strategic acquisition of Anhui Luwang in February 2014. Anhui Luwang specializes in the construction of highway and municipal facilities and maintenance of highways and bridges. It holds one first-class highway construction EPC qualification and one professional contracting qualification for subgrade and pavement work and also other professional qualifications for conducting highway and bridge maintenance work.

In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, the Group's operating income from its highway construction segment was approximately RMB805 million, RMB469 million, RMB648 million (US$93 million), RMB243 million and RMB302 million (US$44 million), accounting for 4.3%, 2.5%, 3.2%, 2.9% and 3.6%, respectively, of the Group's total operating income for the same period. In 2014, 2015, 2016 and the six months ended June 30, 2017, the Group completed 17 highway construction projects in total. As of June 30, 2017, the Group had seven highway construction projects under construction and had a backlog of approximately of RMB24 million (US$4 million).

The Group also undertakes PPP projects, which had a total contract value of approximately RMB12,070 million as of June 30, 2017. In 2016, the Group entered into memorandum of understanding with the local governments of Nanle County, Puyang County, Yuanhui District of Luohe and Kunming on various types of projects including urban renewal and infrastructure construction. The Group has also entered into a strategic cooperation agreement with the Haimen Economic and Technological Development Zone Management Committee, a PPP project with a focus on Haimen Economic and Technological Development Zone's University Technology City, an accelerator production base with fundamental ancillary facilities. The Group has already signed a general contractor construction contract with the respective project company on this PPP project as of the date of this offering memorandum.

Other business

In addition to building construction and highway construction businesses, the Group also engages in trading and provisions of architectural designing services. The Group's trading business is primarily undertaken by Jiangsu Haiyu International Trade Co., Ltd.(江蘇海鈺國際貿易有限公司) and Jianyitong (Beijing) International Business Co., Ltd.(建易通(北京)國際商業有限公司). These two subsidiaries of the Company sell a vast variety of construction-related materials, including timber, concrete, steel and paint. The Group's surveying and designing business is primarily undertaken by its subsidiary, Beijing Zhongzhu Tianhe Architectural Design Co., Ltd.(北京中築天和建築設計有限公司), which currently holds the Class-A Engineering Design Qualification. Established in 2007, it has mapped out different projects ranging from office buildings, hotels, schools, residences to exhibition halls and hospitals, in various locations in China.

Raw Materials, Equipment and Suppliers

Raw materials

The principal raw materials used in project construction primarily include steel, concrete, cement and flooring. In 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, the Group's costs of raw materials amounted to RMB9,543 million, RMB9,123 million, RMB9,825 million (US$1,415 million), RMB4,071 million and RMB4,153 million (US$598 million), respectively, representing 57.2%, 54.8%, 54.3%, 54.3% and 54.8% of its operating cost during the relevant period.

Depending on the terms of contracts, the Group may be responsible for procuring raw materials for project construction. If it is required to purchase raw materials, the Group generally procures large quantity of the relevant materials from selected suppliers under its centralized procurement system to decrease average cost of raw materials. In addition to bulk procurement, the Group endeavors to manage the influence of fluctuations of raw material prices on its profitability by negotiating a more flexible or favorable price adjustment term with its suppliers and project owners. From time to time, the Group seeks to pass along the increased costs of raw materials to its customers to minimize the impact of increased costs of raw materials.

The Group normally does not keep a significant inventory of raw materials to minimize its inventory costs and the risks associated with price fluctuations in raw materials. In 2014, 2015 and 2016 and the six months ended June 30, 2017, the Group did not experience any major price fluctuations, delays or shortages in its supply of raw materials. See "Risk Factors – Risks Relating to the Group's Business and Construction Industry – The Group's operating results may be significantly affected by changes in the prices and availability of raw materials."

Equipment and machinery

The Group relies on a range of equipment and machinery to perform its construction business. It determines the need, duration and quantity for equipment and machinery required in each project on a case-by-case basis. The Group will generally take into consideration the project size, project nature, height of buildings, cost and resource allocation, and project specification by each project owner. The Group either leases or uses its own equipment and machinery for the construction projects based on an assessment of the project location, its resource allocation and costs.

As of June 30, 2017, the Group owned 383 units of various types of construction equipment and machinery, including 165 tower cranes, 82 construction hoists and 19 material hoists.

Most of the Group's equipment and machinery are procured domestically from manufacturers in China. Similar to the procurement of raw materials, the Group selects its equipment and machinery suppliers based on numerous factors, including quality, price, reputation and aftersales service. The Group has in place a strict procurement policy and approval system for its equipment and machinery. Generally, the Group pays a percentage of the contract value upon signing of the equipment and machinery purchase agreements and the remainder within a specific period.

Suppliers

The Group maintains a list of qualified suppliers for its principal raw materials. The qualified suppliers are selected based on various criteria, including price, quality, record of timely delivery, location, supply capacity, credit terms, and customer service. The Group reviews and updates its list of qualified suppliers annually. Substantially all of the Group's major suppliers are domestic companies. The Group has established long-term relationships with some of its major suppliers. The Group may procure principal raw materials from suppliers not on its list of qualified suppliers list only under exceptional circumstances and such procurement shall be reviewed by the relevant project managers and approved by the Group's procurement department.

In 2014, 2015, 2016 and the six months ended June 30, 2017, purchases from the Group's top five suppliers amounted to approximately RMB1,133 million, RMB440 million, RMB849 million (US$122 million) and RMB517 million (US$75 million), respectively, accounting for approximately 6.8%, 2.6%, 4.7% and 6.8% of its operating cost during the relevant period.

Subcontracting

The Group engages subcontractors to provide certain construction services. The Group is selective of the subcontractors it works with and implements stringent procedures to control the quality of the work of its subcontractors. By applying the same quality control requirements on its own construction work to the work of subcontractors. In terms of implementation, the Company appoints quality supervisors to participate in the quality supervision of the entire subcontracted construction process. Upon the completion of subcontracted construction work, the Company carries out a three-stage inspection procedure, namely, self-inspection, mutual inspection and handover inspection. The Company also appoints third-party supervision bodies to conduct independent assessment on the subcontracted construction work to carry out quality check.

The Group generally compares a number of potential subcontractors for each subcontracting work based on their qualifications, price quote and historical performance. The Group will require its subcontractors to indemnify it for any loss arising from their violations of quality and safety requirements and any PRC laws and regulations (including payment of wages to subcontracted workers in accordance with contract terms and relevant PRC laws and regulations). The Group's project management teams will closely monitor the work progress and performance of the subcontractors, as well as their compliance with the Group's safety measures and quality standards. Subcontractors that fail to meet the Group's pre-determined evaluation criteria or remedy their violation within a reasonable period will not be considered for the Group's construction projects in the future. In 2014, 2015, 2016 and the six months ended June 30, 2017, the Group did not incur any material damages, penalties or other liabilities arising from the contractual violations or misconduct of its subcontractors.

Sales and Customers

The Group maintains stable and close relationships with its customers by conducting periodical visits and projects revisits. During these visits, the Group listens to its customers to learn about their feedbacks and explores any potential business opportunity.

In 2014, 2015, 2016 and the six months ended June 30, 2017, operating income from the Group's top five customers amounted to RMB1,427 million, RMB1,539 million, RMB2,757 million (US$397 million) and RMB1,141 million (US$164 million), respectively, accounting for 7.6%, 8.2%, 13.6% and 13.4% of its total operating income, respectively.

Licenses, Certificates and Permits

The Group operates heavily-regulated businesses that require it to obtain and maintain a number of licenses, certificates and permits. As of the date of this offering memorandum, the Group has obtained all material requisite licenses, qualifications and permits from the relevant regulatory authorities for its operations in China, and all of the aforementioned licenses, certificates and permits were in force as of the same date. The Group is required to renew or update information on its licenses, qualifications and permits from time to time. The Group generally commences preparations for renewal procedures six months in advance of the relevant due dates. As of the date of this offering memorandum, the Group does not expect any difficulties in such renewals so long as it meets the applicable requirements and conditions and adhere to the procedures set forth in the relevant laws and regulations as required by the relevant government authorities. The material operating licenses, qualifications and permits held by the Group as of the date of this offering memorandum are summarized as follows:

Name of Operating Licenses, Qualifications and Permits	Class/Grade	Relevant Business	Effective Period
Building construction project EPC (建築工程施工總承包)	Premium	Construction	2016.05.05-2021.01.05
Municipal and public construction project EPC (市政公用工程施工總承包)	First	Construction	2016.05.05-2021.01.05
Building refurbishing and decoration project professional contracting (建築裝修裝飾工程專業承包)	First	Construction	2016.05.03-2020.12.30
Steel structure project professional contracting (鋼結構工程專業承包)	First	Construction	2016.05.05-2021.01.05
Mechanical and electric construction project EPC (機電工程施工總承包)	Second	Construction	2016.05.03-2020.12.30
Construction mechanical and electric installation project professional contracting (建築機電安裝工程專業承包)	First	Construction	2016.05.03-2020.12.30
Fire services facilities project professional contracting (消防設施工程專業承包)	First	Construction	2016.05.03-2020.12.30
Foundation infrastructure project professional contracting (地基基礎工程專業承包)	First	Construction	2016.05.03-2020.12.30
Overseas contracting project qualification certificate (對外承包工程資格證書)	–	Construction	–
Overseas labor collaboration operation qualification certificate (對外劳務合作經營資格證書)	–	Construction	2017.05.12-2023.05.12
Foreign Technical Assistance Turn-key Project EPC Enterprise Qualification Certificate (對外援助成套項目總承包企業資格證書)	–	Construction	2016.01.11-2019.01.10
Work safety permit (安全生產許可證)	–	Construction	2016.11.13-2019.11.12
Quality Management System Certification Certificate (質量管理體系認證證書)	–	–	2015.12.11-2018.09.15
Environment Management System Certification Certificate (環境管理體系認證證書)	–	–	2016.12.06-2018.09.15
Occupational Health and Safety Management System Certification Certificate (職業健康安全管理體系認證證書)	–	–	2016.12.06-2019.12.05

The Company holds the premium class housing construction EPC qualification, which is the most selective qualification awarded to building construction general contractors that satisfy the high standards about project management, technological innovation and scale of operations. The Company also holds nine first-class qualifications and one second-class qualification in relation to municipal and public facilities EPC, highway construction EPC and building refurbishing and decoration, among others. Holding these top-grade certificates has enabled the Group to provide fully-integrated construction solutions, which consist of construction contracting and design, survey and consultancy services for building construction projects of all types and scales nationwide.

Research and Development

The Group's research and development team consisted of personnel who are industrial and civil building construction engineers with extensive industry experience. The Group has also established a postdoctoral workstation approved by the PRC Ministry of Education and a provincial-level research center, which is one of the few provincial-level R&D centers in the construction industry in Jiangsu Province. As of June 30, 2017, the Group had 86 patents, including 19 inventions, and had also obtained 95 state-level and provincial-level QC achievements as of the same date.

The Group also leads or participates in research projects to develop construction process methods. As of June 30, 2017, the Group held five state-level engineering methods recognized by the MOHURD. State-level construction process methods are recognized for significant and innovative construction methods that have the potential to generate economic value. As of June 30, 2017, the Group had also developed 16 provincial-level construction process methods. The Group also actively participates in drafting and establishing technical specifications that form the PRC construction industry standards. For example, the Company is the principal author of Technical Specification for Compressive Strength of Masonry Mortar Bed Testing by Selective Pressing Method (《擇壓法檢測砌築砂漿抗壓强度技術規程》)

and Technical Specification for Applied Technology of Polystyrene Module Insulation Wall (《聚苯模塊保溫墻體應用技術規程》) published by the MOHURD, which was implemented as a national industry standard on masonry mortar bed testing and the construction of polystyrene module insulation wall.

The Group collaborates with many top universities, research institutions and other construction companies in China to develop innovative technologies and construction process methods. As of the date of this offering memorandum, the Group is in the process of applying for the recognition of High-New Technology Enterprise (HNTE) status.

In response to government policies to promote the environmental protection and energy conservation in China, the Group has increased its investments in technology innovation concerning energy efficiency and emission reduction and designed "green buildings" and "passive houses" in recent years. A "passive house" is a building in which a comfortable interior climate can be maintained with energy generated by the building itself in conjunction with reasonable use of renewable energy and natural conditions based on thermal and sound insulation, airtight exterior wall and renewable energy instead of traditional fossil energy. The Group has received Passive House Certificate at the German Housing Expo held on October 12, 2016.

Information Technology

The Group's information technology systems are critical to its operations, including contract management, safety and quality control, documentation management, production management, human resources and accounting and finance. The Group's information technology systems support its key operation processes, including project management, procurement, after-sale customer service, sales and marketing, and bidding. The Group utilizes its information technology systems to improve the efficiency and quality of its services and strengthen its risk and financial management. From time to time, the Group procures new or upgrade existing information systems based on its business needs. In 2014, 2015, 2016 and the six months ended June 30, 2017, the Group did not suffer any material information technology system failures or related losses.

Competition

The construction industry in China has developed significantly in recent years as a result of the economic growth and development of property market in the PRC. Competition in the fragmented construction industry in China has become increasingly intense. The main entry barriers to the construction business include the qualification requirements for general contractors, project quality and safety, track record of construction projects and strong financing ability.

The Group's main competitors were large-sized state-owned construction companies and some regional construction companies in China. The construction companies compete primarily on the basis of their respective ability to complete construction projects on a shorter timeline, pricing, quality of construction projects and relationship with major customers.

The Group believes its various competitive advantages have allowed it to compete effectively with its competitors. The Group has obtained a wide range of construction industry qualifications, allowing it to offer a comprehensive set of construction services to its customers that its competitors may not be qualified to provide. By virtue of its high-quality construction projects, numerous prestigious industry awards have been granted to the Group and its brand recognition is further enhanced. Furthermore, the rapid economic and social development of Jiangsu Province has supported the development of local construction industry and provided the Group with growth opportunities. Moreover, the Group's strategic focus on technological progress and its experienced project management team are also key advantages it possesses. While competition in the construction industry is intense, the Group believes that its competitive advantages will allow it to continue to distinguish itself from its competitors.

Quality Control and Management

Stringent quality control is critical to the Group's reputation and success. As such, the Group adopts comprehensive quality control measures to ensure its high quality construction services. The Company's quality control department is responsible for the adoption of quality control measures and periodic inspections of the Group's operations. The following is a summary of the key quality control measures the Group implements:

- *Inspection of raw materials*. The Group inspects raw materials in accordance with its quality standards and the specifications of its customers. The Group is typically required to provide a product certificate and obtain customer's approval before using such raw materials in its construction projects;

- *Training*. The Group provides training to its project management teams and its subcontracted workers to ensure their understanding of, and compliance with, the Group's quality standards. In addition, the Group's project management teams also hold regular meetings with the subcontracted workers to review construction safety measures and precautions;

- *Standardized construction*. The Group implements standardized construction methods and technologies in all of its construction projects. For large-scale and complex construction projects, the Group may set up construction process demonstration areas on project sites, where key standardized construction methods and processes are exhibited or detailed to ensure its compliance with such methods and processes;

- *Onsite inspections and rectification*. The Group conducts periodic inspections and spot checks on its construction projects, and requires its personnel to implement immediate rectification measures if any quality control issues are identified. Upon rectification, the Group re-inspects the quality control issues to ensure that such issues have been resolved. As required by its customers, independent surveyors will conduct periodic inspections and spot inspections of the Group's construction projects;

- *Quality control review*. After the completion of each project and at the end of each quarter, the Group conducts a comprehensive review and analysis of any quality control issues. In addition, the Group survey its customers for feedback on an annual basis and after completion of each project to improve the quality of its services;

- *Subcontractors*. The Group requires its construction subcontractors to fully abide by its quality control measures when performing work for its construction projects.

The Group's quality and technology department consisted of 'key quality control personnel who generally have five to ten years of experience in building construction quality inspection. In 2014, 2015, 2016 and the six months ended June 30, 2017, the Group maintained ISO9001:2008 certificates for its construction contracting business and the Group did not experience any material quality issues or receive any material complaints about the quality of its construction projects for the same periods.

Intellectual Property

The intellectual property rights are critical to the Group's businesses. The Group relies on patents, copyrights, trademarks and contractual rights to protect its intellectual property rights. As of June 30, 2017, the Group held 86 patents and received state-level recognition for five engineering methods. It also possesses unregistered trade secrets, technologies, know-hows, processes and other intellectual property rights. As of June 30, 2017, the Group did not suffer any material infringement of intellectual property by other parties and, to the best of its knowledge, has not violated any intellectual property rights of any third parties nor was the Company a party to any litigation brought by any third party due to infringement of intellectual property rights.

Insurance

The Group maintains insurance policies that are required under PRC laws and regulations as well as policies based on its assessment of its operational needs and industry practice. In 2014, 2015, 2016 and the six months ended June 30, 2017, in accordance with relevant PRC laws and regulations, the Group maintained personal accident insurance for its personnel onsite the construction projects. The Group also maintained insurance policies in respect of certain of its buildings covering losses due to fire, explosion, earthquake, typhoon, flood and certain other risks. The Group is also required by PRC social security laws and regulations to maintain mandatory social insurance policies for its employees and make contributions to mandatory social insurance fund for its employees.

Consistent with customary practice in China, the Group did not carry any business interruption or litigation insurance policies, which are not mandatory according to the laws and regulations of the PRC. The Directors consider that the Group's existing insurance coverage is in line with industry norm and is sufficient for its present operations. In addition, the Group had duly maintained all material insurance policies in compliance with the relevant PRC laws and regulations in 2014, 2015, 2016 and the six months ended June 30, 2017. See "Risk Factors – Risks Relating to the Group's Business and Construction Industry – The Group's insurance policies may not be adequate to cover all risks of loss associated with its business operations." In 2014, 2015, 2016 and the six months ended June 30, 2017, the Group did not experience any material insurance disputes.

Environmental Matters

The Group is subject to PRC national and local environmental laws and regulations governing air pollution, noise emissions, hazardous substances, water and waste discharge and other environmental matters issued by PRC national, provincial and municipal governments and authorities. The Group believes that its businesses are in compliance with currently applicable national and local environmental laws and regulations in all material aspects.

Set forth below is a summary of the standard environmental protection measures the Group typically implements in its construction work:

Environmental matter	Measures
Noise control	• Use low-noise equipment and machinery • Inspect and maintain all equipment before use to be in compliance with permitted noise level • Undertake works in accordance with the permitted working hours as specified by PRC law
Air pollution control	• Suppress dust particles on construction sites by use of water • Install dust screens as necessary • Lower dust and harmful particles generated on construction sites through use of construction techniques and equipment
Solid waste disposal	• Transport solid waste to landfills designated by local governments
Waste water treatment	• use sedimentation tanks to reduce the suspended solids in the waste water before being discharged

As of the date of this offering memorandum, the Group is not in breach of any applicable environmental laws and regulations which have led to material penalties imposed on it by the environmental authorities and there are no existing material legal proceedings, arbitrations or administrative penalties against it.

Occupational Health and Safety

The Group regards occupational health and safety as one of its important corporate and social responsibilities. Some of the Group's business operations involve risks and hazards that could result in damage or destruction of property, or even death and personal injury, business interruption and possible

legal liabilities. Pursuant to the applicable PRC laws, the Group has implemented a variety of internal rules and operating procedures for work safety, accident handling and safety training. In addition, the Group's project management teams engage in safety inspections from time to time to ensure the safety of the work environment of its construction sites. Moreover, the Group obtained the ISO14000 environmental management standard certification and the OHSAS 18000 occupational health and safety certification in 2004.

Employees

The Group believes that the successful implementation of its growth and business strategies depends on a team of experienced, motivated and well-trained employees at all levels. The Group has implemented training programs for its employees at different levels to meet different job requirements. The Group believes its workforce has sufficient experience to face the challenges that may arise in its day-to-day operations and that its training programs and competitive remuneration packages have contributed to increased employee productivity.

The Group enters into individual employment contracts with its employees to cover matters such as wages, benefits and grounds for termination. It generally formulates its employees' remuneration packages to include a salary, bonus and various allowances. It determines employee salaries based on each employee's qualifications, position and seniority. The Group's employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. It does not engage any external employment agent for recruitment purposes.

As required by the PRC regulations, the Group makes contributions to mandatory social security funds for the benefit of its PRC employees that provide for pension insurance, basic medical insurance, maternity insurance, unemployment insurance, occupational injury insurance and housing provident funds.

Legal Proceedings

From time to time, the Group has been involved in legal proceedings or other disputes that arise from the ordinary course of its business, which primarily involve disputes with contractors and customers. As of June 30, 2017, the Group had contingent liabilities in a total amount of RMB192 million (US$28 million) relating to 86 pending legal proceedings, some of which were relating to contract disputes between the Group and its subcontractors due to late payment of construction fees. See "Risk Factors – Risks Relating to the Group's Business and Construction Industry – The Group may be involved in claims and litigations in its ordinary course of business."

As of the date of this offering memorandum, the Directors are not aware of any material legal proceedings, claims or disputes currently existing or pending against the Group that may have a material adverse effect on the Group's business, financial condition or results of operations.

REGULATIONS

This section summarizes the principal laws, regulations, policies and administrative directives to which the Group is subject.

The PRC Legal System

The PRC legal system is based on the PRC Constitution and is made up of written laws, rules, regulations and local laws, regulations and policies, laws of Special Administrative Regions and laws resulting from international treaties entered into by the PRC government. Court rulings do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC, or the NPC, and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws of the PRC. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council is the highest authority of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the authority of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul administrative rules, regulations, directives and orders.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations and the people's governments may promulgate administrative rules and directives applicable within their own administrative areas. These local laws and regulations must be consistent with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes. After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed in June 1981, the Supreme People's Court, the State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative bodies which promulgate such laws.

The PRC Judicial System

Under the PRC Constitution and the Law of Organization of the People's Courts, the judicial system is made up of the Supreme People's Court, the local courts, military courts and other special courts. The local courts comprise the basic courts, the intermediate courts and the high courts. The basic courts are organized into civil, criminal, economic and administrative divisions. The intermediate courts are organized into divisions similar to those of the basic courts, and are further organized into other special divisions, such as the intellectual property division. The high level court supervises the basic and intermediate courts. The people's procuratorates also have the right to exercise legal supervision over the proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in China. It supervises the administration of justice by all other courts.

The courts employ a two-tier appellate system. A party may appeal from a judgment or order of a local court to the court at the next higher level. First judgments or orders of the Supreme People's Court are final. If, however, the Supreme People's Court or a court at a higher level finds an error in a judgment which has been given in any court at a lower level, or the presiding judge of a court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The Civil Procedure Law of the PRC adopted in April 1991, amended in October 2007 and August 2012, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the location of the object of the action. However, such selection shall not violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the court to request the enforcement of the judgment, order or award. There are time limits imposed on the right to apply for such enforcement. If a party fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a court against a party who is not located within the PRC and does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. A foreign judgment or ruling may also be recognized and enforced by the court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principal of reciprocity, unless the court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles, sovereignty or security of the PRC, or for reasons of social and public interests.

Regulatory Authorities

The principal governmental authorities in the PRC that regulate the business of the Group are:

- The MOHURD and the local administrative authorities governing construction, which are responsible for: (i) the administration of requirements and qualifications of enterprises in the construction industry, including the review and approval of market entry requirements for, and the endorsement and confirmation of qualifications of, various types of construction enterprises, the establishment of industry standards and codes, and the supervision and administration of industry quality; (ii) the supervision and administration of the qualifications for carrying out national construction, engineering exploration, design and engineering cost consulting businesses; (iii) the supervision and administration of construction, engineering exploration, design and engineering cost consulting activities; (iv) the supervision and administration of the examination of working drawings and design documents of construction projects; and (v) the supervision and administration of urban-rural planning formulation;

- The NDRC and the local development and reform commissions, which are responsible for the planning, review and approval of construction projects with fixed asset investments;

- The MOFCOM and the local administrative authorities for commerce, which are responsible for the supervision and administration of the qualifications and bidding processes of enterprises contracting for overseas projects and the establishment of any overseas company through outbound investments by such enterprises, as well as foreign investments in the construction industry;

- The State Administration of Work Safety and the local administrative authorities for work safety, which are responsible for the supervision and administration of construction safety in the PRC; and

- The Ministry of Environmental Protection and the local administrative authorities for environmental protection, which are responsible for the administration of environmental protection issues of construction projects, including the review and approval of environmental impact assessment documents for construction projects, the assessment of qualifications of enterprises that conduct environmental impact assessment for construction projects and the inspection and acceptance of environmental protection facilities of construction projects.

Qualifications

Administration of Qualifications

Pursuant to the Construction Law of the PRC and other relevant laws and regulations, an enterprise engaged in construction, survey, design and project supervision activities shall obtain different classes of qualifications, which have varying requirements for registered capital, specialized technical personnel, technical equipment in their possession and achievements in construction projects completed and may only be permitted to contract for those construction works that fall within the scope permitted by its qualification class. According to Article 23 of the Provisions on the Administration of the Qualifications of Construction Enterprises, the relevant government authorities shall not grant the Premium Class Certificate to applicants who have had two or more general accidents in the past year.

Specialized technical personnel engaging in building operations shall obtain corresponding qualification certificates for operations in accordance with PRC law and engage in building operations within the scope permitted by the qualification certificates.

Qualifications for Construction Contracting

The Construction Law of the PRC, Provisions on the Administration of the Qualifications of Construction Enterprises, Qualification Standards of Construction Enterprises, issued on November 6, 2014 and effective on January 1, 2015, the Premium Class Standards, the Implementing Measures of Premium Class Qualification Standards for General Construction Contractors, issued and effective on November 30, 2010, the Construction Enterprise Qualification Management Regulations and the Implementation of Quality Standards, issued on January 31, 2015 and effective on March 1, 2015, the Qualification Standards of Construction Labor Subcontracting Enterprises, issued and effective on March 8, 2001, together with other regulations stipulate the application requirements and the scope of contracting of construction enterprises.

Construction enterprises shall comply with the aforesaid regulations and apply for relevant qualifications accordingly to engage in the construction contracting business. Qualifications for construction enterprises are categorized into three groups, namely, general construction contracting, specialized subcontracting and labor subcontracting. The general construction contracting qualification is divided into four classes, namely, the premium class, the first class, the second class and the third class. The specialized subcontracting qualification is divided into three classes, namely, the first class, the second class and the third class.

The Qualification Standards of Construction Enterprises sets forth detailed provisions on the requirements for each type and class of qualification mentioned above and the premium class qualification standards are prescribed separately in the Premium Class Standards.

Enterprises holding the Premium Class Certificate may undertake all grades of general contracting for construction and design and carry out the business of general contracting for engineering and project management in accordance with the scope of the qualification.

Enterprises holding the qualification for general construction contracting work may undertake construction project management services in accordance with the scope of the qualification. Such enterprises may undertake all aspects of the construction works themselves, or subcontract non-essential construction works to subcontracting enterprises. Such enterprises may also hire labor subcontracting agents to carry out the construction work. Construction work should be subcontracted to subcontracting enterprises with relevant qualifications, and labor work should be subcontracted to labor subcontracting agents with relevant qualifications.

Enterprises holding subcontracting certificates may undertake projects subcontracted from a general construction contractor in compliance with relevant regulations. An enterprise that has obtained subcontracting certifications should undertake the entire subcontracting project itself but a subcontracting enterprise may subcontract any labor work to labor subcontracting agents with relevant qualifications in accordance with relevant PRC laws and regulations.

If the construction enterprise needs to continue to use qualification certificates after the period of validity expires, an application for renewal shall be made within three months before the expiration.

Qualifications for Construction Design and Survey

Pursuant to the Regulations on the Administration of Survey and Design of Construction Projects, issued on September 25, 2000 and amended and newly effective on June 12, 2015, and the Provisions on the Administration of Qualifications for Survey and Design of Construction Projects, issued on June 26, 2007 and amended and newly effective on May 4, 2015, the PRC government has implemented a system of qualification administration for enterprises engaged in construction survey and design. Enterprises engaged in construction survey and design shall apply for certifications based on a number of criteria, including their registered capital, professional and technical such as personnel, technical equipment and achievements of survey and design before they undertake construction survey and design activities. According to Article 23 of the Provisions on the Administration of the Qualifications of Construction Enterprises, the relevant government authorities shall not grant the Engineering Design Certificate to applicants who have had two or more general accidents in the past year.

Construction design certifications are classified into four types and four grades. The four types are comprehensive construction design certifications, industry-specific construction design certifications, specialty construction design certifications, and specific construction design certifications. The four grades are Grades A, B, C and D. Grade A is the only level for the comprehensive construction design certification. Industry-specific construction design certifications, specialty construction design certifications and specific construction design certifications are generally categorized into Grade A and Grade B. Depending on the nature and technical characteristics of the relevant construction engineering projects, there may be an additional Grade C category for certain industry-specific and specialty construction design certifications, and an additional Grade C and D category for specific construction design certifications.

The scope of work that enterprises are allowed to provide depends on the specific type and grade of their certificates:

(a) An enterprise with the Grade A comprehensive construction design certificate may provide construction design services for all types of construction projects;

(b) An enterprise with the industry-specific construction design certificate may provide construction design services within the scope of the qualifications grade and related specialty and specific construction design services (other than those requiring integrated design and construction certifications) in the relevant industry and of the same grade;

(c) An enterprise with the specialty construction design certificate may provide construction design services within the relevant specialty of a corresponding qualifications grade and related specific construction design business (other than those requiring integrated design and construction certifications) of the same grade; and

(d) An enterprise with the specific construction design certificate may provide specific construction design services of a corresponding qualifications grade.

The Qualification Standards of Construction Design, issued and effective on March 29, 2007, sets forth detailed provisions on application requirements of each type and grade mentioned above.

Pursuant to the Provisions on the Administration of Qualifications for Survey and Design of Construction Projects, an enterprise shall submit an application to the original licensing department for renewal of registration within 60 days before the expiration date. The renewal process is based on various factors, including whether the company has complied with relevant laws, regulations and technical standards during the validity period, has poor credit history, and has met the standard for registered capital, professional and technical staff. The period of validity for the renewal qualification shall be five years.

Bids

According to the Construction Law of the PRC and the Tender and Bidding Law of the PRC, issued on August 30, 1999 and effective on January 1, 2000, certain large-scale infrastructure and public works projects relating to social and public welfare and safety within the PRC, including the survey, design, engineering and supervision of such projects, as well as the procurement of major equipment and materials regarding engineering and construction, shall be subject to bidding. The bid winner may, according to the provisions of the contract or the consent of the project owner, subcontract non-vital parts of the project.

The Provisions on the Scope and Threshold of Construction Projects for Bid Invitation and the Administrative Measures of Tender and Bidding for Construction of Buildings and Public Infrastructures, issued and effective on June 1, 2001, provide the specific requirements for bidding. For example, for any of the aforesaid projects, construction contracts of more than RMB2.0 million in value, procurement contracts of more than RMB1.0 million in value, service contracts of more than RMB0.5 million in value or total project investments of more than RMB30.0 million shall be subject to bidding. No company or individual is permitted to evade the bidding process by splitting a project for which a bid must be invited according to law or by any other means. Invitations for survey and design bidding for construction projects are categorized as public tender and tender by invitation. A bid inviter may, in light of the various characteristics of a construction engineering project, conduct an overall bidding process for exploration and design or conduct separate processes in stages as required without prejudicing the integrity and continuity of the project. A bid may not be invited if approved by the competent authority for the exploration, design of construction projects requiring patented or special technologies or having special requirements on the artistic design of the construction.

The Provisions on Tender and Bidding of Survey and Design of Construction Project, issued on June 12, 2003, amended on March 11, 2013 and newly effective on May 1, 2013, the Provisions on Tender and Bidding of Construction Projects, issued on March 8, 2003, amended on March 11, 2013 and newly effective on May 1, 2013, the Regulation on the Implementation of the Tender and Bidding Law of the PRC, issued on December 20, 2011 and effective on February 1, 2012, and relevant specific provisions specify the requirements and procedures for bidding.

Construction Safety

The Work Safety Law of the PRC, issued on June 29, 2002, last amended on August 31, 2014 and newly effective on December 1, 2014, provides that a production enterprise must meet the national legal standards or industry standards on work safety and provide work conditions set out in relevant laws, administrative rules and national or industry standards. An entity that cannot provide required work conditions may not engage in production activities. The designers and the design firms for the safety facilities of a construction project are liable for their designs. A production enterprise must present prominent warning signs at relevant dangerous operation sites, facilities and equipment.

According to the Regulations on the Administration of Work Safety of Construction Projects, issued on November 24, 2003 and effective on February 1, 2004, an enterprise responsible for the work safety of a construction project shall assume the liabilities of the work safety of the construction project. In the case of a project covered by a main contract, the general contractor will be liable for the general work safety of the construction site and assume joint and several liabilities for the sub-contracted portions of the project together with the sub-contractors. A construction enterprise must purchase accidental injury insurance for the workers engaged in dangerous works on the construction site for injuries suffered in work-related accidents, and the insurance premium will be paid by the construction entity. In the case of a construction work covered by a main contract, the insurance premium will be paid by the general contractor. The period covered by the insurance policies should commence on the start date of the construction project and terminate on the date of the inspection and acceptance upon the completion of the project.

According to the Regulations on the Administration of Work Safety of Construction Projects, the competent construction administrations under the PRC government at the county level or above shall carry out supervision and administration of work safety of the construction projects within the relevant administrative areas.

Work Safety Accidents Regulations

Pursuant to the Regulations on the Reporting, Investigation and Handling of Work Safety Accidents (the "Accident Regulation") promulgated by the State Council on April 9, 2007 and effective on June 1, 2007, work safety accidents that cause personal injuries or deaths or direct economic losses shall be generally categorized as follows:

(a) Particularly significant accidents shall refer to accidents that cause more than 30 deaths, or serious injuries of more than 100 people (including acute industrial poisoning, hereinafter the same), or direct economic losses of more than RMB100 million;

(b) Significant accidents shall refer to accidents that cause more than ten deaths but less than 30 deaths, or serious injuries of more than 50 people but less than 100 people, or direct economic losses of more than RMB50 million but less than RMB100 million;

(c) Relatively significant accidents shall refer to accidents that cause more than three deaths but less than ten deaths, or serious injuries of more than ten people but less than 50 people, or direct economic losses of more than RMB10 million but less than RMB50 million; and

(d) General accidents shall refer to accidents that cause less than three deaths, or serious injuries of less than ten people, or direct economic losses of less than RMB10 million.

Work Safety Permits

Pursuant to the Work Safety Law of the PRC, the Regulation on the Work Safety Permits, issued on January 13, 2004, last amended on July 29, 2014 and newly effective on December 1, 2014, the Regulation on the Administration of Work Safety of Construction Projects, and the Provisions on the Administration of Construction Enterprises' Work Safety Permits, issued on July 5, 2004 and amended

and newly effective on January 22, 2015, and other relevant laws and regulations, constructing enterprises shall be subject to the work safety permit system implemented by the PRC government and apply for a Work Safety Permit. Before undertaking any construction activity, a construction enterprise shall file an application to the competent department of construction at or above the provincial level for obtaining a work safety license. Without work safety permits, construction enterprises shall not engage in construction activities.

The competent department of construction shall, when making examination and issuing a construction license, examine whether the construction enterprise has obtained a work safety license. If the enterprise failed to obtain a work safety license, it shall not be issued a construction license.

If a construction enterprise suffers any major safety accidents, its work safety permit will be suspended temporarily and it shall make rectification within a prescribed time.

Accident Prevention

In order to ensure construction safety and prevent accidents, the MOC introduced the Provisions on the Falling Substance Accident Prevention of the Construction Projects, issued and effective on April 17, 2003, where it sets out strict rules on staff and equipment requirements for height operation under a strict liability regime.

Pursuant to the Provisions on Collapse Prevention of Construction Projects, issued and effective on April 17, 2003, in order to prevent accidents and ensure construction safety, the unit engaged in engineering construction, reconstruction, expansion and other activities is required to prepare the construction plan, which should be strictly based on the geological conditions, construction technologies, working conditions and the surrounding environment.

Safety Training and Labor Protection

Pursuant to the Interim Provision on Safety Training for Construction Works, issued and effective on April 17, 1997, and the Interim Measures of Construction Workers Using Personal Protective Equipment, issued and effective on November 5, 2007, all construction workers must receive regular safety training and adhere to the principle of training first, before carrying out their work. It also provides strict rules on the construction site and the use and management of the personal safety equipment.

Quality Control

The Administrative Regulations on the Quality Management of Construction Engineering provides that enterprises that develop a project or undertake the survey, design, construction or supervision work of the project are responsible for the quality control of the project. All construction activities must be conducted in strict compliance with basic construction procedures and in the order of survey, design and then construction. The quality warranty system shall be applied to construction projects. If any quality issues of the construction project arise within the warranty period, the construction enterprise shall perform the warranty obligations and compensate for any losses incurred thereof. The PRC government implemented a quality supervision and administration system for construction projects. The relevant construction administrative authorities of the State Council are responsible for the overall supervision and administration of the quality of construction projects in the PRC. The competent authorities of the State Council, such as the Ministry of Railways, the Ministry of Transport and the Ministry of Water Resources shall be responsible for the supervision and administration of the quality of professional construction projects in the PRC. A survey enterprise shall conduct surveying in accordance with the relevant PRC laws and regulations regarding the quality of construction projects, the mandatory standards for project construction, and the relevant surveying contract and shall be responsible for the quality of its survey.

Project Price

The Provisional Regulations on Construction Project management for Contracting Price, issued and effective on January 6, 1999, the Pricing Management Approach of Contracting of Construction Projects, issued on December 11, 2013 and effective on February 1, 2014, and the Interim Measures for Settling Construction Price, issued and effective on October 20, 2004, sets forth the construction cost, pricing, valuation methods, the time of payment and dispute resolution methods of the construction projects.

Inspection and Acceptance of Construction Projects

Pursuant to the Rules of As-built Inspection of Housing, Building and Municipal Infrastructure Projects, issued and effective on December 2, 2013, after completing the project, an inspection team comprising design, survey, construction, supervision units should be established. Each unit is required to report the compliance status of engineering contracts, the implementation of laws, regulations and mandatory standards for construction in various aspects of the construction.

Pursuant to the Administrative Measures for the Filing of As-built Inspection of Housing, Building and Municipal Infrastructure Projects, issued and effective on October 19, 2009, the filing of the as-built inspection of various housing, building and municipal infrastructure projects, including new building, expansion and rebuilding projects, within the territory of the PRC shall be governed by the measures. A construction entity shall, in accordance with the measures, go through the filing formalities with the construction administrative department of the people's government at or above the county level at the place where the project is located within 15 days as of the date on which the as-built inspection of the project is passed.

Administration of Environmental Protection of Construction Projects

A construction enterprise shall adopt measures to control environmental pollution and damage caused by dust, waste gas, sewage, solid waste, noise and vibration at the construction site in accordance with the laws and regulations on environmental protection and work safety. The PRC government implemented an environmental impact evaluation system for construction projects.

Pursuant to the Environmental Protection Law of the PRC, issued on December 26, 1989, last amended on April 24, 2014 and newly effective on January 1, 2015, units that cause environmental pollution and other public nuisances shall adopt effective measures to avoid and control the pollution and damage caused to the environment. Pollution prevention facilities in construction projects shall be designed, built and put into operation together with the main part of the project. Enterprises and institutions discharging pollutants shall report to and register with the relevant authorities in accordance with the provisions of the environmental protection authority under the State Council. According to the currently effective Environmental Protection Law of the PRC, the administrative authorities of environmental protection will record wrongful acts in the social credit history and timely disclose information. In addition, a company that breaches relevant rules to discharge pollutants shall be fined and ordered to take correction measures. If the company refuses, the competent authority may continuously impose fine for each day the violation remains uncorrected based on the original fine from the next day after making the decision.

Pursuant to the Environmental Impact Assessment Law of the PRC, issued on October 28, 2002 and effective on September 1, 2003, the PRC government sets up a system to appraise the environmental impact of construction projects, classify and administer the environmental impact appraisals in accordance with the degree of environmental impact.

Pursuant to the Measures on the Inspection and Acceptance of the Environmental Protection Work Upon Completion of Construction Projects, issued on December 27, 2001 and effective on February 1, 2002, if a construction unit fails to or delays to apply for the environmental inspection and acceptance after the construction project has been put into production, the competent environmental department

shall have the right to order it to conduct the inspection procedures within a certain period of time. If a construction unit refuses, the competent environmental department has the right to suspend its production and impose a fine within RMB50,000.

Other Laws and Regulations

Labor Laws and Regulations

Pursuant to the Labor Law of the PRC, issued on July 5, 1994 and amended and newly effective on August 27, 2009, companies must enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. Companies must establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, prevent work-related accidents and reduce occupational hazards. Companies must also pay for their employees' social insurance premium.

Labor contract

Pursuant to the Labor Contracts Law of the PRC, issued on June 29, 2007, amended on December 28, 2012 and newly effective on July 1, 2013, employers shall establish employment relationships with employees on the date that they start working. To establish employment relationship, a written employment contract shall be concluded, or employers will be liable for the illegal action. Furthermore, the probation period and liquidated damages shall be restricted by law to safeguard employees' rights and interests.

Social security and housing provident fund

As required under the Regulation of Insurance for Work-Related Injury, issued on April 27, 2003, amended on December 20, 2010 and newly effective on January 1, 2011, the Provisional Measures on Insurance for Maternity of Employees, issued on December 14, 1994 and effective on January 1, 1995, the Interim Provisions on Registration of Social Insurance, issued and effective on March 19, 1999, the Social Insurance Law of the People's Republic of China, issued on October 28, 2010 and effective on July 1, 2011, and the Regulation on Administration of Housing Provident Funds, issued on April 3, 1999 and amended and newly effective on March 24, 2002, enterprises in China are obligated to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance, medical insurance and housing provident funds.

Rehiring retirees

Pursuant to the Notice of the Ministry of Labor on the Implementation of the Labor Contract System, issued and effective on October 31, 1996, if retirees who have enjoyed pension benefits are rehired, the employers should conclude a written agreement with them. Such agreement should include the clear content of the job, compensation, medical care, labor protection treatment, other rights and obligations.

Laws and Regulations Relating to Intellectual Property Protection

Trademark law

Pursuant to the Trademark Law of the PRC, issued on August 23, 1982, last amended on August 30, 2013 and newly effective on May 1, 2014, the right to exclusive use of a registered trademark shall be limited to trademarks which have been approved for registration and to goods for which the use of trademark has been approved. The period of validity of a registered trademark shall be ten years from the day the registration is approved. According to the Trademark Law of the PRC, using a trademark that is identical with or similar to a registered trademark in connection with the same or similar goods without the authorization of the owner of the registered trademark constitutes an infringement of the exclusive right to use a registered trademark. The infringer shall, in accordance with the regulations, cease the infringement, take remedial action, and pay damages.

Patent law

Pursuant to the Patent Law of the PRC, issued on March 12, 1984, last amended on December 27, 2008 and newly effective on October 1, 2009, after the grant of the patent right for an invention or utility model, except where otherwise provided for in the Patent Law of the PRC, no entity or individual may, without the authorization of the patent owner, exploit the patent, that is, make, use, offer to sell, sell or import the patented product, or use the patented process, or use, offer to sell, sell or import any product which is a direct result of the use of the patented process, for production or business purposes. After a patent right is granted for a design, no entity or individual shall, without the permission of the patent owner, exploit the patent, that is, for production or business purposes, manufacture, offer to sell, sell, or import any product containing the patented design. Where the infringement of patent is decided, the infringer shall, in accordance with the regulations, cease the infringement, take remedial action, and pay damages.

Contract Law

Pursuant to the Contract Law of the PRC issued on March 15, 1999 and effective on October 1, 1999, the parties may terminate a contract pursuant to terms set forth in the contract or pursuant to mutual agreement. In addition, the parties to a contract may terminate the contract under any of the following circumstances:

(a) it is rendered impossible to achieve the purpose of contract due to an event of force majeure;

(b) prior to the expiration of the period of performance, the other party expressly states, or indicates through its conduct, that it will not perform its main obligation;

(c) the other party delayed performance of its main obligation after such performance has been demanded and fails to perform within a reasonable period;

(d) the other party delays performance of its obligations, or breaches the contract in some other manner, rendering it impossible to achieve the purpose of the contract; or

(e) other circumstance as provided by the law.

Regulations relating to Public-Private Partnership (PPP)

The principal rules of PPP projects include the Guiding Opinion on Carrying Out the Public-Private Partnership of the NDRC, issued and effective on December 2, 2014, the Notice on Implementing Demonstration Project of the Public-Private Partnership, issued and effective on November 30, 2014, the Operation Guide for Modes of the Public-Private Partnership (Trial), issued and effective on November 29, 2014, and the Notice on Extending the Models of the Public-Private Partnership, issued and effective on September 23, 2014.

Pursuant to the Operation Guide for Modes of the Public-Private Partnership (Trial), infrastructure and public service projects, which have large-scale investments, long-term steady demands, flexible price adjustment mechanisms and high marketization degrees, may apply the modes of PPP.

As for the risk allocation between the public entity and the private entity, it should be in accordance with the principle of optimizing risk allocation and balancing the risk-return and risk control. It should also consider the risk management capability of the government, the return mechanisms of projects and market risk management capability. Generally, the private entity is liable for commercial risks of project-designing, project-building, financial affairs and O&M (Operation and Maintenance); the public entity is liable for risks of laws, policies and minimum requirements; the force majeure risk should be reasonably distributed to the public entity and the private entity.

Modes of PPP project operation include Operations and Maintenance (O&M), Management Contract (MC), Build-Operate-Transfer (BOT), Build-Own-Operate (BOO), Transfer-Operate-Transfer (TOT), and Rehabilitate-Operate-Transfer (ROT).

Regulatory approaches of PPP include performance management, administrative supervision and public supervision.

NDRC Rules Regarding Overseas Financing

According to the NDRC Circular, which was issued by the NDRC on September 14, 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, prior to issuing such bonds, file certain prescribed documents with the NDRC and procure an enterprise foreign debt pre-issuance registration certificate (the "NDRC Pre-Issuance Registration Certificate") from the NDRC in respect of such issue. According to the NDRC Circular, the NDRC is expected to issue a decision on the submission within seven working days after it accepts the submission. The Company has completed the registration with the NDRC and obtained the registration certificate on June 21, 2017.

According to the NDRC Circular, such an enterprise is also required to report certain details of the Notes to the NDRC within ten working days after the closing date of the offering (the "NDRC Post-Issuance Reporting"). The Company intends to complete the NDRC Post-Issuance Reporting as soon as practical and in any event within ten working days after the Issue Date.

MANAGEMENT

Directors

The board of directors of the Company consists of seven members, including a chairman, two vice chairmen and four directors. The term of the directors is three years, and is renewable upon re-election and re-appointment. The board of directors determines major matters of the Company and is primarily responsible for implementing the decisions of and reporting to its shareholders. The board of directors determine the Company's annual business plans, investment plans, financial budget plans and profit distribution plans. The board of directors is responsible for the appointment and dismissal of the general manager, the deputy general managers and the chief financial officer of the Company in accordance with the general manager's nomination, and the determination of the remuneration package of the deputy general manager and the chief financial officer.

The following table sets forth the Company's directors as of the date of this offering memorandum:

Name	Age	Position
Huang Yuhui (黃裕輝)	46	Chairman of the board of directors and legal representative
Zhou Binggao (周炳高)	54	Executive vice chairman of the board of directors
Shi Hui (施暉)	47	Vice chairman of the board of directors and president
Wei Bo (衛波)	48	Director
Wang Weichong (王衛沖)	45	Director, chief financial officer and senior vice president
Xu Ting (徐挺)	49	Director and executive president
Yuan Bei (袁備)	48	Director

Mr. Huang Yuhui, aged 46, has been the chairman of the board of directors of the Company since April 2015 and the legal representative of the Company since October 2012. Mr. Huang previously served as a manager of Beijing Branch of the Company and the executive vice chairman of the board of directors and the general manager of the Company from October 2012 to April 2015. Mr. Huang also previously served as a manager of the Dalian Telecommunication Hub Civil Engineering Project (大連市電信樞紐工程土建項目) and an assistant to the general manager of Haimen Construction and Installation Engineering Co., Ltd. (海門市建築安裝工程公司). Mr. Huang obtained his master degree in business administration from the School of Economics and Management of Tsinghua University in 2011 and is a senior engineer and a senior economist. Mr. Huang has received numerous awards, including China's Construction Industry Person of the Year (中國建築業年度人物) from Construction Times, Model Worker of Jiangsu Province (江蘇省勞動模範) from the People's Government of Jiangsu Province, Top Entrepreneurs (優秀企業家) from Jiangsu Construction Industry Association in 2016.

Mr. Zhou Binggao, aged 54, has been the executive vice chairman of the board of directors of the Company since April 2016. Mr. Zhou previously served as the executive deputy general manager of the Company from October 2012 to April 2015, the general manager of the Company from April 2015 to April 2016 and the vice chairman of the board of directors of the Company from October 2012 to April 2016. Mr. Zhou obtained his bachelor's degree in economics and management from Jiangsu Radio and Television University (江蘇廣播電視大學) in 2003 and is a senior engineer, a Class 1 registered constructor and a senior professional manager. Mr. Zhou has received numerous awards, including National Top General Engineer of Construction Industry Enterprises (全國建築業企業優秀總工程師) from China Construction Industry Association in 2014, National Top Senior Professional Manager of Construction Industry Enterprises (中國建築業優秀高級職業經理人) from China Construction Industry Association in 2012, Top Engineer of Jiangsu Construction Industry (江蘇省建築業傑出建造師) from Jiangsu Construction Industry Association in 2009.

Mr. Shi Hui, aged 47, has been the vice chairman of the board of directors of the Company since April 2015 and the president of the Company since June 2017. Mr. Shi currently also serves as the chairman of the board of directors of Jiangsu Jiangzhou Construction and Development Co., Ltd.(江蘇江洲建設發展有限公司)and the general manager of the Seventh Branch of the Company. Mr. Shi previously served as a director of the Company from October 2012 to April 2015, a deputy general manager of the Company from October 2012 to April 2016 and the executive general manager of the Company from April 2016 to June 2017. Mr. Shi also previously served as the vice chairman of the board of directors and a deputy general manager of Nantong Sanjian Holding Co., Ltd. Mr. Shi obtained his bachelor's degree in construction engineering from Shanghai University(上海大學)in 1997 and is currently a candidate of the EMBA program of Xiamen University(厦門大學). Mr. Shi is a senior economist.

Mr. Wei Bo, aged 48, has been a director of the Company since April 2016. Mr. Wei currently also serves as the chairman of the board of directors of Tianjin Qilong Investment and Management Partnership(天津七龍投資管理合夥企業), a director of Anhui Traffic Network Group Co., Ltd.(安徽省交通路網集團有限公司)and a director of Nantong Sanjian Holding Co., Ltd. Mr. Wei previously served as a director of the Company from October 2013 to April 2015 and an independent director of the Company from April 2015 to April 2016. Mr. Wei also previously served as the chief executive officer of Asia Wireless Technology (China) Co., Ltd.(亞洲無綫科技(中國)有限公司). Mr. Wei obtained his master's degree in EMBA from Tsinghua University in 2011.

Mr. Wang Weichong, aged 45, has been a director of the Company since October 2012, a senior vice president of the Company since June 2017 and the chief financial officer of the Company since April 2016. Mr. Wang previously served as an assistant to the manager of the Eighth Branch of the Company from 2003 to 2004, a supervisor of the Company from November 2004 to December 2014, a deputy head of the Audit Department of the Company from 2004 to 2005, a deputy head of the Finance Department of the Company from 2006 to 2009, an assistant to the general manager of the Company from June 2009 to December 2009, the chief financial officer of the Company from January 2012 to October 2012 and a deputy general manager of the Company from January 2012 to June 2017. Mr. Wang also previously served as the chief accountant of the Kuwait 278 Project Department of the Foreign Engineering Department of Haimen Construction Bureau(海門建工局國外工程部駐科威特278項目部)and an assistant to the general manager and the chief accountant of the Dalian Office and the Daqing Office of Haimen Construction Bureau(海門建工局駐大連、大慶辦). Mr. Wang obtained his bachelor's degree in infrastructure and financial management from the School of Water of Yangzhou University(揚州大學水利學院)in 1994 and is a senior accountant and a certified public accountant.

Mr. Xu Ting, aged 49, has been a director of the Company since March 2013 and the executive president of the Company since June 2017. Mr. Xu also currently serves as a director of Nantong Sanjian Holding Co., Ltd. Mr. Xu previously served as the head of the Operation Department of the Beijing Branch of the Company from March 1993 to February 2003, a deputy manager and the secretary of Party Sub-branch of the Beijing Branch of the Company from March 2003 to February 2009, a manager of the Shijiazhuang Branch of the Company from February 2011 to February 2013, the general manager of the North Operation Centre of the Company from March 2013 to February 2014, the general manager of the Construction Department of the Company from March 2014 to April 2016 and a deputy general manager of the Company from March 2009 to June 2017. Mr. Xu obtained his bachelor's degree in machinery manufacturing and equipment from Shenyang Institute of Architectural Engineering(瀋陽建築工程學院)in 1992 and is a senior engineer.

Mr. Yuan Bei, aged 48, has been a director of the Company since October 2012. Mr. Yuan also currently serves as a director and a deputy general manager of Nantong Sanjian Holding Co., Ltd. Mr. Yuan previously served as a construction worker of the Daqing Branch of the Company from July 1991 to February 1995, a clerk and a deputy head of the Operation Department of the Company from March 1995 to February 2003, the head of the Operation Department of the Company from March 1995 to February 2008, a manager of the Tianjin Branch of the Company from March 2008 to February 2013,

the general manager in charge of the Shangdong Region of the Company from March 2013 to February 2014, the general manager of the Southern Operation and Management Centre of the Company from March 2014 to April 2015 and a deputy general manager of the Company from March 2003 to April 2016. Mr. Yuan also previously served as the general manager of Shanghai Hongmai Real Estate Co., Ltd.(上海鴻麥房地產有限公司). Mr. Yuan obtained his bachelor's degree in economic administration from Central Party School(中共中央黨校) in 1998 and is a senior economist and an engineer.

Supervisors

The board of supervisors consists of three members, including two members who are appointed by the shareholders and one employee supervisor who is elected by and amongst the employees. The term of the supervisors is three years and is renewable upon re-election and re-appointment. The board of supervisors is responsible for monitoring the Company's financial affairs; supervising the actions of the directors and other senior management of the Company and making suggestions for the dismissal of the directors and other senior management who violate the laws, administrative regulations and the articles of association of the Company; requiring directors and other senior management to rectify decisions that are harmful to the Company's corporate interest.

The following table sets forth the Company's board of supervisors as of the date of this offering memorandum:

Name	Age	Position
Zhang Fubin(張福斌)	47	Chairman of the board of supervisors
Zhang Ming(張明)	53	Supervisor
Jiang Xiaoxiang(江曉祥)	51	Supervisor

Mr. Zhang Fubin, aged 47, has been the chairman of the board of supervisors of the Company since April 2015. Mr. Zhang also currently serves as the chairman of the board of supervisors of Nantong Sanjian Holding Co., Ltd. Mr. Zhang previously served as a deputy office director, a secretary of the Communist Youth League and an assistant to the general manager of the Company from November 2004 to July 2009, the secretary of the board of directors of the Company from November 2004 to October 2012, a deputy general manager of the Company from July 2009 to April 2015 and a director of the Company from October 2012 to April 2015. Mr. Zhang also previously served as an office secretary, a deputy director and a director of Nantong Electric Aluminum Factory(南通電子鋁材廠), a secretary of Haimen Construction Engineering Management Bureau(海門市建築工程管理局) and the deputy chief secretary of Haimen Municipal Construction Industry Association(海門市建築業協會). Mr. Zhang obtained his bachelor's degree in secretarial science from Jiangsu Radio and Television University(江蘇廣播電視大學) in 1995 and is a senior economist.

Mr. Zhang Ming, aged 53, has been a supervisor of the Company since April 2015. Mr. Zhang also currently serves as a deputy general manager of Nantong Sanjian Holding Co., Ltd. Mr. Zhang previously served as the chief legal officer of the Company from March 2013 to April 2015, a lecturer of Haimen Sanchang Vocational Secondary School(海門三廠職業中學), Haimen Jiangxinsha Secondary School(海門市江心沙中學), Haimen Sanxing Town Adult Education Centre(海門市三星鎮成教中心), Haimen Tianbu Secondary School(海門市天補中學) and Haimen High School(海門高校). Mr. Zhang obtained his bachelor's degree in law from Nanjing University(南京大學) in 1994 and is a practicing lawyer.

Mr. Jiang Xiaoxiang, aged 51, has been a supervisor of the Company since April 2016. Mr. Jiang also currently serves as the chief financial officer of Nantong Sanjian Holding Co., Ltd. and the chief accountant of Nantong Jinlixin Certified Public Accountants Firm(南通金利信會計師事務所). Mr. Jiang previously served as a teacher of the State-owned Nantong Farm Secondary School(國營南通農場中學), a department head of Jiangsu Haimen Certified Public Accountants Firm(江蘇海門會計師事務

所) and Haimen Lixin Certified Public Accountants Firm (海門立信會計師事務所). Mr. Jiang obtained his bachelor's degree in geography from Xuzhou Normal College (徐州師範學院) in 1990 and is a senior accountant and a certified public accountant.

Senior Management

The Company currently has one president, one senior vice president, one executive president and five vice presidents. The president is appointed by and reported to the board of directors, and is primarily responsible for daily operations and management of the Company, implementation of the decisions of the board of directors and establishment of the Company's basic management system and operating capital plans.

The following table sets forth the Company's senior management as of the date of this offering memorandum:

Name	Age	Position
Shi Hui	47	Vice chairman of the board of directors and president
Wang Weichong	45	Director, chief financial officer and senior vice president
Xu Ting	49	Director and executive president
Lu Hongqiu (陸紅球)	53	Vice president
Huang Songping (黃松平)	53	Vice president
Xu Yan (徐炎)	56	Vice president
Feng Yonghong (馮永宏)	57	Vice president
Feng Hui (馮輝)	43	Vice president

Mr. Shi Hui, aged 47, has been the vice chairman of the board of directors of the Company since April 2015 and the president of the Company since June 2017. For Mr. Shi's biography, see "*Directors*" above.

Mr. Wang Weichong, aged 45, has been a director of the Company since October 2012, the senior vice president of the Company since January 2012 and the chief financial officer of the Company since April 2016. For Mr. Wang's biography, see "*Directors*" above.

Mr. Xu Ting, aged 49, has been a director of the Company since March 2013 and the executive president of the Company since March 2009. For Mr. Xu's biography, see "*Directors*" above.

Mr. Lu Hongqiu, aged 53, has been a vice president of the Company since June 2017. Mr. Lu previously served as a manager of the Liaoning Branch of, and a deputy general manager of the Company from February 2003 to April 2005, the executive deputy general manager of the Construction Department of the Company from April 2015 to April 2016 and a deputy general manager of the Company from April 2015 to June 2017. Mr. Lu also previously served as a deputy assistant of the Equipment Management Division of the Equipment Technology Department of No. 138 Infantry Division (步兵一三八師裝備技術部裝備管理科), a deputy head of the Safety Division of Haimen Construction Engineering Group Co., Ltd. (海門建工集團公司安全科) and a deputy head and the head of the Quality and Safety Technology Division of Haimen Construction and Management Bureau (海門市建管局質量安全技術科). Mr. Lu obtained his associate degree in economic administration from Beijing Economic Correspondence University (北京經濟函授大學) in 1988 and is a senior economist and an engineer.

Mr. Huang Songping, aged 53, has been a vice president of the Company since June 2017. Mr. Huang previously served as an assistant to the manager and a manager of the Eighth Branch of the Company from 1994 to 1996, a manager of the Company from 1994 to 1996, an assistant to the manager of the Company from 1994 to 1999, a manager and an office director of the Shanghai Branch of the Company from 1999 to 2004, a director of the Company from 2004 to 2012, a manager of the Real Estate Department of the Company from 2012 to 2014, a deputy general manager of the Construction Department of the Company from April 2015 to April 2016 and a deputy general manager of the Company from 1996 to June 2017. Mr. Huang also previously served as a clerk, a deputy section head, a deputy general manager and a deputy director of Haimen Construction Bureau (海門市建工局). Mr. Huang obtained his master's degree in economic administration from Macau University of Science and Technology (澳門科技大學) in 2003 and is a senior economist and an engineer.

Mr. Xu Yan, aged 56, has been a vice president of the Company since June 2017. Mr. Mr. Xu previously served as an office secretary, an office director and an assistant to the manager of the Qingdao Branch of the Company from May 1997 to November 2004, a deputy manager and an executive deputy manager of the Qingdao Branch of the Company from November 2004 to February 2013, a manager of the Qingdao Branch of, and the general manager of the Shandong Northeast Region of the Company from March 2013 to April 2016 and a deputy general manager of the Company from March 2013 to June 2017. Xu also previously served as a secretary of the Communist Youth League of Haimen Handkerchief Factory (海門市手帕廠團委), a member of the Communist Youth League of Haimen Municipal Standing Committee (海門團市委常委) and a member of Chinese People's Political Consultative Conference of Nantong (南通市政協). Mr. Xu obtained his associate degree in party and government management from China Textile & Politics Correspondence College (中國紡織政治函授學院) in 1990 and is a senior economist and an engineer.

Mr. Feng Yonghong, aged 57, has been a vice president of the Company since June 2017. Mr. Feng previously served as a deputy manager of the Qingdao Branch of the Company from January 2001 to November 2004, a manager of the Jinan Branch of the Company from November 2004 to January 2016 and the general manager of the Beijing-Tianjin-Hebei and Xinjiang Region (京津冀新疆區域) of the Company, the chief engineer of the Company from February 2016 to April 2016 and a deputy general manager of the Company from November 2004 to June 2017. Mr. Feng also previously served as a clerk of Haimen County Grain Bureau (海門縣糧食局), a clerk of Haimen Country Infrastructure Bureau (海門縣基建局) and the deputy dean of Haimen Architectural Design Institute (海門建築設計院). Mr. Feng obtained his associate degree in civil engineering from Nanjing Institute of Civil Engineering (南京建築工程學院) in 1981 and is a senior engineer and a first-class constructor.

Mr. Feng Hui, aged 43, has been a vice president of the Company since June 2017. Mr. Feng previously served as a construction norm clerk and a budget clerk of the Eighth Branch of the Company from August 1998 to January 2002, a clerk, the section head and a deputy manager of the Suzhou Nantong Branch of the Company from March 2002 to December 2012 and a manager of the Nanjing Branch of, and the general manager of the Yangtze River Delta Region of the Company from January 2013 to April 2016 and a deputy general manager of the Company from April 2016 to June 2017. Mr. Feng obtained his bachelor's degree in civil engineering from Central Radio and Television University (中央廣播電視大學) in 2010 and is a senior engineer and a first-class constructor.

Corporate Governance

The Company has established and implemented a corporate governance structure comprising nine departments, namely, the General Office, Human Resources Department, Information Centre, Finance Department, Audit Department, Operating Contracts Department, Legal Affairs Department, Construction and Safety Department, and Quality and Technology Department.

The primary duties of these nine departments are set forth as follows:

- General Office is primarily responsible for supervising and inspecting the emergency preparedness of various departments, managing the Company's properties and related facilities, carrying out secretarial work and managing internal administrative documents.

- Human Resources Department is primarily responsible for carrying out recruitment, employment and labor management work, organizing staff trainings and managing social insurances of the employees.

- Information Centre is primarily responsible for ensuring safe and smooth operation of the Company's IT system, maintaining data security and confidentiality, and updating relevant software.

- Finance Department is primarily responsible for carrying out daily accounting, tax declaration and tax planning work, establishing fund raising plans and a comprehensive budget management system and making relevant financial risk warnings to the management.

- Audit Department is primarily responsible for monitoring the implementation of the internal policies by the senior management, formulating and implementing the Company's auditing plans.

- Operating & Contracting Department is primarily responsible for drafting tender documents, participating in business negotiations and managing all contracts signed with the Company's contractors, construction contracts and equipment procurement contracts.

- Legal Affairs Department is primarily responsible for the Company's legal affairs and litigations, and providing legal advice to various types of contracts and business activities.

- Construction and Safety Department is primarily responsible for maintaining safe production and security, allocating tasks and responsibilities to security personnel, taking appropriate measures to prevent industrial accidents and safeguarding the safety of employees.

- Quality and Technology Department is primarily responsible for designing improvement, double-checking the technical verification, conducting engineering quality inspection of different projects and carrying out quality assessment work.

PRINCIPAL SHAREHOLDERS

The following table sets forth information regarding beneficial ownership of the Company's ordinary shares as of June 30, 2017 by each person known to the Company to beneficially own 5% or more of the Company's outstanding shares:

Greater than 5% Beneficial Owners	Number of Shares Beneficially Owned	Percent
		(%)
Nantong Sanjian Holding Co., Ltd.[(1)]	453,820,000	73.05

Notes:

(1) Huang Yuhui, Zhou Binggao, Shi Hui, Wei Bo, Wang Weichong, Xu Ting, Yuan Bei and Zhang Fubin collectively owned 227,820,000 shares of Nantong Sanjian Holding Co., Ltd., representing 50.20% of the outstanding shares of Nantong Sanjian Holding Co., Ltd. as of June 30, 2017. Pursuant to a contract entered into by and among Huang Yuhui, Zhou Binggao, Shi Hui, Wei Bo, Wang Weichong, Xu Ting, Yuan Bei and Zhang Fubin in 2016, they jointly agreed that they shall be deemed as actors in concert, and shall act in concert in relation to all matters that require the decisions of the shareholders of the Nantong Sanjian Holding Co., Ltd., including but not limited to voting unanimously to approve, reject, or to abstain from voting in relation to motions that need to be resolved at shareholders meetings, and to jointly sign all necessary documents. In addition, among the eight individuals aforementioned, seven of them hold positions in the eleven-seat board of directors of Nantong Sanjian Holding Co., Ltd. and each of Huang Yuhui, Zhou Binggao, Shi Hui, Wei Bo, Wang Weichong, Xu Ting and Yuan Bei is a director of the seven-seat board of directors of the Company.

RELATED PARTY TRANSACTIONS

The Group currently engages in, and expect from time to time in the future to engage in, financial and commercial transactions with its shareholders, joint ventures and associated companies. All such transactions are conducted on an arm's length and commercial basis and in accordance with the applicable listing rules.

See Note VIII of the Group's 2016 Annual Financial Statements included elsewhere in this offering memorandum.

DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS

The Group finances its operations primarily through cash generated from operating activities, interest-bearing bank and other borrowings and funds raised from the capital markets such as its listing on the NEEQ and the issuance of corporate bonds. As of June 30, 2017, the Group had total borrowings of approximately RMB9,435 million (US$1,359 million). See "Capitalization and Indebtedness." From time to time, the Group may enter into additional financing agreements in ordinary course of business to fund the capital needs of its operations and expansion and to replenish its working capital. Set forth below is a summary of the material terms and conditions of such material indebtedness and other obligations.

Bank Loans

The Company and certain of its subsidiaries have entered into loan agreements with various PRC banks (including the local branches of these banks), including but not limited to Bank of China, Industrial and Commercial Bank of China, and China Construction Bank. Generally, these loans have terms ranging from one year to three years. As of June 30, 2017, the aggregate outstanding amount under these loans amounted to approximately RMB5,610 million (US$808 million), of which RMB2,705 million (US$390 million) would mature within one year. These loans are mainly used to fund the Group's existing construction projects and to replenish its working capital.

Interest

The principal amounts outstanding under the Group's PRC bank loans generally bear interest at fixed rates. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement.

Covenants

Under these loans with PRC banks, many of the Group's subsidiary borrowers have agreed, among other things, not to take some of the following actions without obtaining the relevant lender's prior consent:

- creating encumbrances on any part of their property or assets or dealing with their assets in a way that may adversely affect their ability to repay their loans;
- granting guarantees to any third parties that may adversely affect their ability to repay their loans;
- making any major changes to their corporate structures, such as entering into joint ventures, mergers, acquisitions and reorganizations;
- altering the nature or scope of their business operations in any material respect;
- transferring part or all of their liabilities under the loans to a third party;
- prepaying the loans;
- declaring or paying dividends;
- selling or disposing of assets that may adversely affect their ability to repay their loans; and
- incurring other indebtedness that may adversely affect their ability to repay their loans.

Events of Default

The PRC loan agreements with banks contain certain customary events of default, including failure to pay the amount payable on the due date, unauthorized use of loan proceeds, failure to obtain the lender's approval for an act that requires the latter's approval and material breach of the terms of the loan agreement. The banks are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

Certain of the Company's PRC subsidiaries have entered into guarantee agreements with PRC banks in connection with some of the PRC loans, pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these loans. Further, some of these loans are secured by the Group's assets which includes inventory, investment property, fixed assets, and construction in progress and equity interests of certain subsidiaries.

Onshore Debt Securities Issued by the Group

2014 Medium-Term Notes

On November 6, 2014, the Company issued a total amount of RMB200 million of domestic medium-term notes for a term of three years, with a coupon rate of 8.5%, ending on November 10, 2017 ("2014 Medium-Term Notes"). The interest payment dates are November 10 every year during the term of the notes. The 2014 Medium-Term Notes received an "AA" rating from Dagong Global Credit Rating Co., Ltd.(大公國際資信評估有限公司).

2015 Private Placement Bonds

On April 15, 2015, Anhui Luwang issued a total amount of RMB100 million of domestic small-and-medium sized enterprises private placement bonds for a term of three years ending on April 15, 2018 ("2015 Private Placement Bonds"). The 2015 Private Placement Bonds are guaranteed by the Company, with a coupon rate of 10.55%. Interests are paid every 20th day of March, June, September and December during the term of the bonds. Anhui Luwang shall, on the 30th day before the end of second year, publish a reminder announcement on the website of the Shanghai Stock Exchange with respect to the right of investors to sell back the 2015 Private Placement Bonds to Anhui Luwang. Investors are entitled to sell back the 2015 Private Placement Bonds, in whole or in part, at its face value at the end of second year. Investors who intend to sell back the 2015 Private Placement Bonds shall make a sell-back declaration within three trading days of the aforesaid announcement. Such sell-back declaration is irrevocable and the respective aggregate face value of the bonds will be prohibited from sale. Investors who fail to make the sell-back declaration within the required time period will be deemed to have given up the sell-back right and chosen to retain the bonds.

2015 Medium-Term Notes

On September 15, 2015, the Company issued its second domestic medium-term notes with a total amount of RMB500 million for a term of three years, with a coupon rate of 8%, ending on September 17, 2018 ("2015 Medium-Term Notes"). The interest payment dates are September 17 every year during the term of the notes. The 2015 Medium-Term Notes received an "AA" rating from Dagong Global Credit Rating Co., Ltd.

2016 Corporate Bonds

On October 31, 2016, the Company issued a total amount of RMB1,000 million of domestic corporate bonds for a term of five years as approved by the China Securities Regulatory Commission (中國證券監督管理委員會), with a coupon rate of 6.35%, ending on October 31, 2021 ("2016 Corporate Bonds"). Interests are paid every October 31st during the term of the bonds. At the end of the third year, the Company shall be entitled to adjust the coupon rate and the investor shall be entitled to sell back the 2016 Corporate Bonds. The Company and the 2016 Corporate Bonds received an "AA"

rating jointly from Pengyuan Credit Rating Co., Ltd.(鵬元資信評估有限公司) and Dagong Global Credit Rating Co., Ltd. The Company intended to use the proceeds from the issue of the 2016 Corporate Bonds for repaying its borrowings and replenishing general working capital.

2017 Corporate Bonds

On April 13, 2017, the Company issued its second domestic corporate bonds at a total amount of RMB1,000 million for a term of five years, with a coupon rate of 6.8%, ending on April 13, 2022 ("2017 Corporate Bonds"). Interests are paid every April 13rd during the term of the bonds. At the end of second and fourth year, the Company shall be entitled to adjust the coupon rate and the investor shall be entitled to sell back the 2017 Corporate Bonds. The 2017 Corporate Bonds are listed on the Shanghai Stock Exchange. The Company and the 2016 Corporate Bonds received an "AA" rating jointly from Pengyuan Credit Rating Co., Ltd. and Dagong Global Credit Rating Co., Ltd. The Company intended to use the proceeds from the issue of the 2017 Corporate Bonds for repaying its borrowings and replenishing general working capital.

DESCRIPTION OF THE NOTES

For purposes of this "Description of the Notes," the term "Issuer" refers only to Jiangsu Nantong Sanjian International Co., Ltd. 江蘇南通三建國際有限公司 and any successor obligor on the Notes, and not to any of its Subsidiaries, and the term "Parent Guarantor" refers only to Jiangsu Nantong Sanjian Construction Group Co., Ltd.（江蘇南通三建集團股份有限公司）and not to any of its Subsidiaries (the "Parent Guarantor"). The Parent Guarantor's guarantee of the Notes is referred to as the "Parent Guarantee." Each Subsidiary of the Parent Guarantor which in the future guarantees the Notes is referred to as a "Subsidiary Guarantor," and each such guarantee is referred to as a "Subsidiary Guarantee." Each Subsidiary of the Parent Guarantor that in the future provides a JV Subsidiary Guarantee is referred to as a "JV Subsidiary Guarantor" and each such guarantee is referred to as a "JV Subsidiary Guarantee."

The Notes are to be issued under an indenture (the "Indenture"), to be dated as of the Original Issue Date, among the Issuer, the Parent Guarantor and Citicorp International Limited, as trustee (the "Trustee").

The following is a summary of certain provisions of the Indenture, the Notes, the Parent Guarantee, the Subsidiary Guarantees and the JV Subsidiary Guarantees. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Parent Guarantee, the Subsidiary Guarantees and the JV Subsidiary Guarantees. It does not restate those documents in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Investors should read the Indenture, the Notes, the Parent Guarantee and the forms of Subsidiary Guarantee and the JV Subsidiary Guarantee, because they, and not this description, define your rights as holders of the Notes. Copies of the Indenture will be available for inspection on or after the Original Issue Date at the corporate trust office of the Trustee at 39/F Champion Tower, 3 Garden Road, Central, Hong Kong.

Brief Description of the Issuer

The Issuer:

- is a special-purpose financing vehicle established to issue the Notes; and
- has no operating activities other than acting as issuer of Indebtedness, including the Notes.
- The Issuer does not have any operating activities or revenue. See "Risk Factors – Risks Relating to the Notes and the Guarantees – The Issuer is a special-purpose finance vehicle and payments with respect to the Notes are dependent upon cash flow from other members of the Group."

Brief Description of the Notes

The Notes will be:

- general obligations of the Issuer;
- senior in right of payment to all future obligations of the Issuer expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with all other unsecured and unsubordinated Indebtedness of the Issuer (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law);

- guaranteed by the Parent Guarantor and in the future may be guaranteed by the Subsidiary Guarantors or the JV Subsidiary Guarantors on a senior basis, subject to the limitations described below under the caption "– The Parent Guarantee," "– The Subsidiary Guarantees and the JV Subsidiary Guarantees," "Replacement of the Subsidiary Guarantees with the JV Subsidiary Guarantees" and in "Risk Factors – Risks Relating to the Notes and the Guarantees";

- effectively subordinated to the secured obligations (if any) of the Issuer, the Parent Guarantor, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor; and

- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

The Notes will mature on October 26, 2020, unless earlier redeemed pursuant to the terms thereof and the Indenture.

The Notes will bear interest at 7.80% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrears on April 26 and October 26 of each year (each an "Interest Payment Date"), commencing April 26, 2018. Interest on the Notes will be paid to Holders of record at the close of business on April 11 or October 11 immediately preceding an Interest Payment Date (each, a "Record Date"), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Except as described under "Optional Redemption," "Redemption for Taxation Reasons" and otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity (unless they have been repurchased by the Issuer or the Parent Guarantor).

In any case in which the date of the payment of principal of, premium (if any) on or interest on the Notes is not a Business Day in the relevant place of payment, then payment of such principal, premium or interest need not be made in such place on such date but may be made on the next succeeding Business Day in such place. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due and no interest on the Notes shall accrue for the period after such date.

The Indenture allows additional Notes to be issued from time to time (the "Additional Notes"), subject to certain limitations described under "– Further Issues." Unless the context requires otherwise, references to the "Notes" for all purposes of the Indenture and this "Description of the Notes" include any Additional Notes that are actually issued.

The Notes will be issued only in fully registered form, without coupons, in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Issuer may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Issuer at the office or agency of the Issuer maintained for that purpose (which initially will be the specified office of the Paying Agent, currently located at c/o Citibank, N.A., Dublin Branch, 1 North Wall Quay, Dublin 1, Ireland), and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided that*, at the option of the Issuer, payment of interest may be made by check mailed to the address of the Holders as such address appears in the Note Register maintained by the Note Registrar (as defined

below). Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

The Parent Guarantee

The Parent Guarantee will be:

- a general obligation of the Parent Guarantor;
- senior in right of payment to all future obligations of the Parent Guarantor expressly subordinated in right of payment to the Parent Guarantee;
- at least *pari passu* in right of payment with all other unsecured and unsubordinated Indebtedness of the Parent Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law);
- effectively subordinated to the secured obligations (if any) of the Parent Guarantor, to the extent of the value of the assets serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries and any Unrestricted Subsidiaries.

Under the Indenture and any supplemental indenture to the Indenture, as applicable, the Parent Guarantor will guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The Parent Guarantor will (1) agree that its obligations under the Parent Guarantee will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture (other than in respect of the Parent Guarantee) and (2) waive its right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Issuer prior to exercising its rights under the Parent Guarantee.

Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be repaid or restored, the rights of the Holders under the Parent Guarantee will be reinstated with respect to such payment as though such payment had not been made. All payments under the Parent Guarantee are required to be made in U.S. dollars.

Release of the Parent Guarantee

The Parent Guarantee may be released in certain circumstances, including:

- upon repayment in full of the Notes; and
- upon a defeasance as described under "– Defeasance – Defeasance and Discharge."

Registration of the Parent Guarantee

Guarantees of foreign indebtedness arising from offshore bond issuances by a PRC-incorporated entity are subject to registration by the State Administration of Foreign Exchange of the PRC ("SAFE"). The Parent Guarantor understands from its discussion with the SAFE that:

(i) under PRC law, the Parent Guarantee will be the legal, valid and binding obligations of the Parent Guarantor upon execution;

(ii) under PRC law, the Parent Guarantor is required to register the Parent Guarantee of the Notes with the Haimen Branch of SAFE (the "Haimen Branch") as soon as possible and in any event before the date that is 15 Registration Business Days after the execution of the Parent Guarantee of the Notes on the Original Issue Date. The Parent Guarantor can perform its

obligations under the Parent Guarantee only upon the completion of administrative registration procedures with the Haimen Branch. The enforceability of the Parent Guarantee is subject to certain risks. See "Risk Factors – Risks Relating to the Notes and the Guarantees – The Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which can impair the enforceability of the Guarantees" and "Enforcement of Civil Liabilities"; and

(iii) the Parent Guarantee will cover all sums due under the Notes (including any principal, premium if any, interest and related financial obligations).

Under the Indenture, upon completion of registration of the Parent Guarantee with the Haimen Branch, the Parent Guarantor is required to deliver to the Trustee an Officers' Certificate attaching a copy of the relevant certificate of registration from the Haimen Branch and certifying that such copy is a true and correct copy (such registration and delivery of an Officers' Certificate to the Trustee with the certificate from the Haimen Branch referred to collectively as the "SAFE Completion Event"). If the SAFE Completion Event is not completed by 90 Registration Business Days after the closing date of the offering of the Notes, the Issuer will be required under the Indenture to make an offer to repurchase all of the Notes at a price equal to 100% of the principal amount of the Notes then outstanding, plus accrued and unpaid interest to but excluding the date of repurchase. See "– Repurchase upon a SAFE Noncompliance Event."

The Parent Guarantor intends to register the Parent Guarantee as soon as reasonably practicable after the closing date of the offering of the Notes.

The Subsidiary Guarantees and the JV Subsidiary Guarantees

There will be no initial Subsidiary Guarantors on the Original Issue Date.

None of the existing or future Restricted Subsidiaries organized under the laws of the PRC (the "PRC Restricted Subsidiaries") will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee on the Original Issue Date or at any time in the future. None of the Exempted Subsidiaries (as long as they continue to be Exempted Subsidiaries) will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee on the Original Issue Date or at any time in the future. None of the Finance Subsidiaries (as long as they continue to be Finance Subsidiaries) will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee on the Original Issue Date or at any time in the future. None of the Listed Subsidiaries (as long as they continue to be Listed Subsidiaries) will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee on the Original Issue Date or at any time in the future.

The Parent Guarantor will cause each of its future Restricted Subsidiaries (other than any PRC Restricted Subsidiary, any Exempted Subsidiary, any Finance Subsidiary or any Listed Subsidiary), as soon as practicable and in any event within 30 days after becoming a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. The Parent Guarantor will cause (x) each of its Restricted Subsidiaries that is an Exempted Subsidiary, as soon as practicable after ceasing to be an Exempted Subsidiary, (y) each of its Restricted Subsidiaries that is a Finance Subsidiary, as soon as practicable after ceasing to be a Finance Subsidiary, and (z) each of its Restricted Subsidiaries that is a Listed Subsidiary, as soon as practicable after ceasing to be a Listed Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing, the Parent Guarantor may elect to have (w) any existing or future Restricted Subsidiary organized outside the PRC, or (x) as soon as practicable after an Exempted Subsidiary ceases to be an Exempted Subsidiary, such Exempted Subsidiary, or (y) as soon as practicable after a Finance Subsidiary ceases be to a Finance Subsidiary, such Finance Subsidiary, or (z) as soon as practicable after a Listed Subsidiary ceases to be a Listed Subsidiary, such Listed Subsidiary, not provide a Subsidiary Guarantee or a JV Subsidiary

Guarantee, *provided that*, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (excluding the Issuer, Exempted Subsidiaries, Finance Subsidiaries and the Listed Subsidiaries) do not account for more than 15% of Total Assets. Any Restricted Subsidiary (other than the Issuer) that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor is referred to as a "Non-Guarantor Subsidiary" and all such Restricted Subsidiaries are collectively referred to as the "Non-Guarantor Subsidiaries."

If, at any time, the Consolidated Assets of all Non-Guarantor Subsidiaries (excluding any PRC Restricted Subsidiary, Exempted Subsidiary, Finance Subsidiary and Listed Subsidiary) exceed 15% of Total Assets, the Parent Guarantor must promptly (i) remove the designation of one or more Non-Guarantor Subsidiaries (other than any PRC Restricted Subsidiary, Exempted Subsidiary, Finance Subsidiary and any Listed Subsidiary) and cause such Non-Guarantor Subsidiaries to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Non-Guarantor Subsidiaries will guarantee the payment of the Notes with a Subsidiary Guarantee or a JV Subsidiary Guarantee, (ii) designate one or more Non-Guarantor Subsidiaries as Unrestricted Subsidiaries and/or (iii) cause one or more Non-Guarantor Subsidiaries to pay dividends or make distributions on or with respect to their respective Capital Stock *pro rata* to their respective shareholders or on a basis more favorable to the Parent Guarantor, *provided that* such payment of dividends or distribution is permitted under the Indenture, in the case of each of (i), (ii) and (iii) above, in accordance with the terms of the Indenture and such that the Consolidated Assets of all Non-Guarantor Subsidiaries (excluding any PRC Restricted Subsidiary, Exempted Subsidiary, Finance Subsidiary and Listed Subsidiary) no longer exceed 15% of Total Assets. Such removal of designation as a Non-Guarantor Subsidiary, designation as an Unrestricted Subsidiary and/or payment of dividends or distributions, as the case may be, must be made as soon as practicable and in any event no later than 30 days, after the date any consolidated financial statements of the Parent Guarantor (which the Parent Guarantor shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements) which show that the Consolidated Assets of all Non-Guarantor Subsidiaries (excluding any PRC Restricted Subsidiary, Exempted Subsidiary, Finance Subsidiary and any Listed Subsidiary) exceed 15% of Total Assets.

In the case of a Restricted Subsidiary (other than any PRC Restricted Subsidiary, any Exempted Subsidiary, any Finance Subsidiary or any Listed Subsidiary) (i) that is, or is proposed by the Parent Guarantor or any of its Restricted Subsidiaries to be, established or acquired after the Original Issue Date, (ii) that is incorporated in any jurisdiction other than the PRC and (iii) in respect of which the Parent Guarantor or any of its Restricted Subsidiaries (x) is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% and no more than 49.9% of the Capital Stock of such Restricted Subsidiary to, or (y) is proposing to purchase no less than 50.1% and no more than 80% of the Capital Stock of, an Independent Third Party and designates such entity as a Restricted Subsidiary, the Parent Guarantor may, concurrently with the consummation of such sale or purchase, cause the provision of a JV Subsidiary Guarantee instead of a Subsidiary Guarantee for (a) such Restricted Subsidiary (the "JV Subsidiary Guarantor") and (b) the Restricted Subsidiaries (other than any PRC Restricted Subsidiary, any Exempted Subsidiary, any Finance Subsidiary or any Listed Subsidiary) of such Restricted Subsidiary, if the following conditions, in the case of both (a) and (b), are satisfied:

- as of the date of execution of the JV Subsidiary Guarantee, no document exists that is binding on the Parent Guarantor or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Parent Guarantor or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (b) requiring the Parent Guarantor or any of the Restricted Subsidiaries to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;

- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is purchased from, an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Parent Guarantor;

- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock, or purchase of the Capital Stock, as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Parent Guarantor and its Restricted Subsidiaries and (ii) in case of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor or on a basis more favorable to the Parent Guarantor or the relevant Restricted Subsidiary;

- concurrently with providing the JV Subsidiary Guarantee, the Parent Guarantor shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:

  (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor, and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor and each of its Restricted Subsidiaries that is not organized under the laws of the PRC (other than any Exempted Subsidiary, any Finance Subsidiary or any Listed Subsidiary) will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

  (ii) an Officers' Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantees has been approved by a majority of the disinterested members of the Board of Directors; and

a legal opinion by a law firm of recognized international standing addressed to the Trustee confirming that under New York law such JV Subsidiary Guarantees are valid, binding and enforceable against the JV Subsidiary Guarantor and its Restricted Subsidiaries providing such JV Subsidiary Guarantees (subject to customary qualifications and assumptions).

As of December 31, 2016, the Parent Guarantor and its consolidated Subsidiaries had total borrowings of RMB7,159 million (US$1,031 million), of which RMB3,981 million (US$573 million) was secured. As of June 30, 2017, the Parent Guarantor and its consolidated Subsidiaries had total borrowings of RMB9,435 million (US$1,359 million), of which RMB305 million (US$44 million) was secured.

As of December 31, 2016, the Non-Guarantor Subsidiaries had total borrowings of RMB1,216 million (US$175 million) and contingent liabilities of RMB55 million (US$8 million). As of June 30, 2017, the Non-Guarantor Subsidiaries had total borrowings of RMB1,428 million (US$206 million) and had no contingent liability.

If any is provided, the Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;

- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;

- ranks at least *pari passu* in right of payment with all other unsecured and unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law);

- is effectively subordinated to the secured obligations of such Subsidiary Guarantor, to the extent of the assets serving as security therefor; and

- is effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries and any Unrestricted Subsidiaries.

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor will be:

- a general obligation of such JV Subsidiary Guarantor;

- enforceable only up to the JV Entitlement Amount;

- effectively subordinated to the secured obligations (if any) of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;

- limited to the JV Entitlement Amount, and will be senior in right of payment to all existing and future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee; and

- limited to the JV Entitlement Amount, and will rank at least *pari passu* in right of payment with all other unsecured and unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law).

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date other than a JV Subsidiary Guarantor is referred to as a "Future Subsidiary Guarantor" and upon execution of the applicable supplemental indenture to the Indenture will be a "Subsidiary Guarantor."

Although the Indenture contains limitations on the amount of additional Indebtedness that the Non-Guarantor Subsidiaries may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, such Non-Guarantor Subsidiary will pay the holders of its debt and its trade creditors before they will be able to distribute any of its assets to the Parent Guarantor.

Under the Indenture and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and JV Subsidiary Guarantors, if any in the future, will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes, *provided that*, any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and JV Subsidiary Guarantors, if any, will (1) agree that their respective obligations under the Subsidiary Guarantees and JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Issuer or the Parent Guarantor prior to exercising its rights under the Subsidiary Guarantees and JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be repaid or restored, the rights of the Holders under the Subsidiary Guarantees and JV Subsidiary Guarantees, as the case may

be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and JV Subsidiary Guarantees, if any, are required to be made in U.S. dollars.

Under the Indenture and any supplemental indenture to the Indenture, as applicable, each Subsidiary Guarantee, if any, will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to insolvency, fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. Each JV Subsidiary Guarantee provided by any JV Subsidiary Guarantor, if any, will, together with all the JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor, in the aggregate, be limited to an amount which is the lower of (i) the applicable JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to insolvency, fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

If a Subsidiary Guarantee or a JV Subsidiary Guarantee were to be rendered void or voidable, it could be subordinated by a court to all other Indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such Indebtedness, a Subsidiary Guarantor's or, a JV Subsidiary Guarantor's liability on its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, could in each case be reduced to zero.

The obligations of each Subsidiary Guarantor under its respective Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. The guarantee of a Subsidiary Guarantor or, if any, a JV Subsidiary Guarantee may be voided or subject to review under applicable insolvency or fraudulent transfer laws, or subject to a lawsuit by or on behalf of creditors of such Subsidiary Guarantor or JV Subsidiary Guarantee. See "Risk Factors – Risks Relating to the Notes and the Guarantees – The Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Guarantees."

Release of the Subsidiary Guarantees and or the JV Subsidiary Guarantees

There will be no Subsidiary Guarantee or JV Subsidiary Guarantee on the Original Issue Date. A Subsidiary Guarantee given by a Subsidiary Guarantor or a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor, if any, may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under "– Defeasance – Defeasance and Discharge;"
- upon the designation by the Parent Guarantor of a Subsidiary Guarantor or a JV Subsidiary Guarantor as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale, merger or disposition of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants under the captions "– Certain Covenants – Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "– Certain Covenants – Limitation on Asset Sales" and "– Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of the Parent Guarantor's other

Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale, merger or disposition are used for the purposes permitted or required by the Indenture;

- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee or another Subsidiary Guarantee;

- in the case of a JV Subsidiary Guarantee, upon the replacement of a JV Subsidiary Guarantee with a Subsidiary Guarantee or another JV Subsidiary Guarantee;

- in the case of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, that becomes an Exempted Subsidiary or a Listed Subsidiary;

- in the case of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, that becomes a Non-Guarantor Subsidiary, in compliance with the terms of the Indenture; or

- as described under "– Amendments and Waiver."

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be (including where such sale results in the relevant Subsidiary Guarantor or JV Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including, without limitation, the "Limitation on Asset Sales" and "Limitation on Restricted Payments" covenants to the extent required thereunder. Any Net Cash Proceeds from the sale or issuance of such Capital Stock shall be applied by the Parent Guarantor (or any Restricted Subsidiary) in accordance with the "Limitation on Asset Sales" covenant to the extent required thereunder.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Parent Guarantor has delivered to the Trustee an Officers' Certificate stating that all requirements relating to such release have been complied with and such release is authorized and permitted by the terms of the Indenture. The Trustee shall be entitled to rely without liability upon such Officers' Certificate as sufficient evidence thereof in which event it shall be conclusive and binding on the Holders.

Replacement of the Subsidiary Guarantees with the JV Subsidiary Guarantees

The Subsidiary Guarantee given by any Subsidiary Guarantor may be released and replaced by a JV Subsidiary Guarantee (i) by the Parent Guarantor if the Parent Guarantor so elects, or (ii) following the sale or issuance by the Parent Guarantor or any of its Restricted Subsidiaries of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case, and, in the case of (ii) above, as a result of such sale or issuance, immediately after the release and replacement of the Subsidiary Guarantee, no less than 50.1% and no more than 80% of the issued Capital Stock of such Subsidiary Guarantor is owned by the Parent Guarantor and/or other Subsidiary Guarantors, *provided that* the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Parent Guarantor or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Parent Guarantor or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee, (b) prohibiting the Parent Guarantor or any of the Restricted Subsidiaries from providing a JV Subsidiary Guarantee, or (c) requiring the Parent Guarantor or any of the Restricted Subsidiaries to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;

- in the case of (ii) above, such sale or issuance of Capital Stock is made to an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock determined by an independent appraisal firm of recognized international standing appointed by the Parent Guarantor;

- in the case of (ii) above, all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Parent Guarantor and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor or on a basis more favorable to the Parent Guarantor;

- concurrently with the release of such Subsidiary Guarantee, the Parent Guarantor shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:

  (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor, and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor and each of its Restricted Subsidiaries that is not organized under the laws of the PRC (other than any Exempted Subsidiary, Finance Subsidiary and Listed Subsidiary) will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

  (ii) an Officers' Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantees has been approved by a majority of the disinterested members of the Board of Directors; and

  (iii) a legal opinion by a law firm of recognized international standing addressed to the Trustee confirming that under New York law such JV Subsidiary Guarantees are valid, binding and enforceable against the JV Subsidiary Guarantor and its Restricted Subsidiaries providing such JV Subsidiary Guarantees (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including, without limitation, the "Limitation on Asset Sales" and "Limitation on Restricted Payments" covenants.

Any Net Cash Proceeds from the sale or issuance of such Capital Stock shall be applied by the Parent Guarantor (or any Restricted Subsidiary) in accordance with the "Limitation on Asset Sales" covenant.

As of the date of the Indenture, all of the Parent Guarantor's Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described below under the caption "– Certain Covenants – Designation of Restricted and Unrestricted Subsidiaries," the Parent Guarantor will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." The Parent Guarantor's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Parent Guarantor's Unrestricted Subsidiaries will not guarantee the Notes.

Further Issues

Subject to the covenants described below and in accordance with the terms of the Indenture, the Issuer may, from time to time, without notice to or the consent of the Holders, create and issue additional notes (the "Additional Notes") having the same terms and conditions as the Notes (including the benefit of the Parent Guarantee, Subsidiary Guarantees and JV Subsidiary Guarantees, if any) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions and any limitations associated with the registration of the Parent Guarantee with the Haimen Branch and any related rights of the Holders of Additional Notes set forth under "– Repurchase upon a SAFE Noncompliance Event") (a "Further Issue") so that such Additional Notes may be consolidated and form a single series with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided that* (a) the issuance of any such Additional Notes shall then be permitted under the "Limitation on Indebtedness and Preferred Stock" covenant described below; (b) that the "Original Issue Date" as used under "– Repurchase Upon Occurrence of the SAFE Noncompliance Event" shall be deemed to mean the issue date of the applicable Further Issue; (c) that such tranche of Additional Notes shall be assigned a temporary ISIN, Common Code or other identifying number until the SAFE Completion Event (as defined below) has occurred with respect to such Additional Notes; and (d) until the SAFE Completion Event has occurred with respect to such Additional Notes, such Additional Notes will not be consolidated or form a single series with the previously outstanding Notes or vote together as one class on matters with respect to the Notes; *provided further that* if such Additional Notes are issued within 15 Registration Business Days after the Original Issue Date and the Parent Guarantor registers the Parent Guarantee with respect to both the Notes and the Additional Notes with Haimen Branch, the preceding clauses (c) and (d) shall not apply. In connection with any such issuance of Additional Notes, the Issuer shall deliver an Officers' Certificate to the Trustee directing the Trustee to authenticate and deliver Additional Notes in an aggregate principal amount specified therein and the Trustee, in accordance with such Officers' Certificate, shall authenticate and deliver such Additional Notes.

Prior to the time such tranche of Additional Notes may be consolidated to form a single series with the previously outstanding Notes, such tranche of Additional Notes shall have a temporary ISIN and Common Code and be represented by the temporary Global Note substantially in the form set out in the Indenture (the "Temporary Global Note"), which shall bear a legend as set forth below:

> "THIS IS A TEMPORARY GLOBAL NOTE. THIS TEMPORARY GLOBAL NOTE MAY BE EXCHANGED BY THE TRUSTEE, UPON RECEIPT OF THE SAFE COMPLETION CERTIFICATE WITH RESPECT TO SUCH ADDITIONAL NOTES ON OR PRIOR TO THE SAFE NONCOMPLIANCE EVENT OCCURRENCE DATE AND WITHOUT THE CONSENT OF THE HOLDERS, FOR A PERMANENT GLOBAL NOTE PURSUANT TO THE INDENTURE."

The Trustee shall, upon receipt of the SAFE Completion Certificate with respect to such tranche of Additional Notes in the form set out in the Indenture, and without the consent of the Holders, exchange the Temporary Global Note for a permanent Global Note (the "Permanent Global Note") substantially in the form set out in the Indenture, except for the first Interest Payment Date and issue date, which shall have the same ISIN and Common Code as the previously outstanding Notes. The Parent Guarantee and the Subsidiary Guarantee endorsed on the Temporary Global Note shall, upon such exchange, be endorsed on the Permanent Global Note.

Optional Redemption

At any time prior to October 26, 2020, the Issuer may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor any of the Agents shall be responsible for verifying or calculating the Applicable Premium.

At any time and from time to time prior to October 26, 2020, the Issuer may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of the Common Stock of the Parent Guarantor in an Equity Offering at a redemption price of 107.80% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided that* at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Any redemption of Notes and notice of redemption may, at the Issuer's discretion, be subject to the satisfaction (or waiver by the Issuer in its sole discretion) of one or more conditions precedent (including, in the case of a redemption related to an Equity Offering, the consummation of such Equity Offering and in the case of a repurchase upon a Change of Control Triggering Event, the occurrence of a Change of Control).

If the optional redemption date is on or after a Record Date and on or before the related Interest Payment Date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such Record Date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

Any redemption described under this "– Optional Redemption" caption may, at the Issuer's discretion, be subject to one or more conditions precedent, in which case the related notice will describe each such condition, and if applicable, shall state that, in the Issuer's discretion, the date of redemption may be delayed until such time as any or all such conditions shall be satisfied or waived, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied or waived by the date of redemption, or by the date of redemption as so delayed.

Selection and Notice

The Issuer will give not less than 30 days' nor more than 60 days' notice of any redemption to the Holders and the Trustee. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

(1) if the Notes are listed on any recognized securities exchange or held through a clearing system, in compliance with the requirements of the principal recognized securities exchange on which the Notes are listed or the requirement of the clearing system; or

(2) if the Notes are not listed on any recognized securities exchange or held through a clearing system, on a *pro rata* basis, unless otherwise required by applicable law.

No Note of US$200,000 in principal amount or less shall be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on the Notes or portions of them called for redemption.

Repurchase of Notes Upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event, the Issuer or the Parent Guarantor will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

Each of the Issuer and the Parent Guarantor has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture.

Notwithstanding this agreement of the Issuer and the Parent Guarantor, it is important to note that if the Issuer or the Parent Guarantor, as the case may be, is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit the repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Issuer's or the Parent Guarantor's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes may also constitute an event of default under certain debt instruments of the Parent Guarantor and its Subsidiaries. Future debt of the Parent Guarantor and its Subsidiaries may also (1) prohibit the Issuer or the Parent Guarantor from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Issuer or the Parent Guarantor to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Issuer or the Parent Guarantor. The Issuer's or the Parent Guarantor's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Issuer's and the Parent Guarantor's, the Subsidiary Guarantors' and the JV Subsidiary Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors – Risks Relating to the Notes and the Guarantees – The Group may not be able to repurchase the Notes upon a Change of Control Triggering Event."

The definition of Change of Control includes a phrase relating to the sale of "all or substantially all" the assets of the Parent Guarantor. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a Holder of Notes to require the Parent Guarantor to repurchase such Holder's Notes as a result of a sale of less than all the assets of the Parent Guarantor to another person or group may be uncertain and will depend upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Parent Guarantor has occurred.

Notwithstanding the above, the Issuer or the Parent Guarantor will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner within the same time frame and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer or the Parent Guarantor and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event has occurred or may occur, and shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Parent Guarantor. The Trustee shall not be required to take any steps to ascertain whether the condition for the exercise of the rights herein has occurred. The Trustee shall not be responsible for determining or verifying whether a Note is to be accepted for redemption and will not be responsible to the Holders for any loss arising from any failure by it to do so. The Trustee shall not be under any duty to determine, calculate or verify the redemption amount payable hereunder and will not be responsible to the Holders for any loss arising from any failure by it to do so.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require the Issuer or the Parent Guarantor to purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

No Mandatory Redemption or Sinking Fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Additional Amounts

All payments of principal of, and premium (if any) and interest on the Notes or under the Parent Guarantee or the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any) will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Issuer, the Parent Guarantor, or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, or a Surviving Person (as defined under the caption "– Consolidation, Merger and Sale of Assets") is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein), including, without limitation, if applicable, the PRC, or the jurisdiction through which payments are made or any political subdivision or taxing authority thereof or therein (each, a "Relevant Jurisdiction"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law.

Where such withholding or deduction is made by the Issuer, the Parent Guarantor or, as the case may be, any applicable Subsidiary Guarantor or JV Subsidiary Guarantor, or a Surviving Person by or within the PRC up to and including the aggregate rate applicable on October 19, 2017 (the "Applicable Rate"), the Issuer or, as the case may be, such Subsidiary Guarantor or JV Subsidiary Guarantor, or Surviving Person will increase the amounts paid by it to the extent required, so that the net amount received by Holders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer, the Parent Guarantor or, as the case may be, any applicable Subsidiary Guarantor or JV Subsidiary Guarantor, or a Surviving Person is required to make a deduction or withholding (i) by or within the PRC in excess of the Applicable Rate or (ii) by or within any Relevant Jurisdiction other than PRC, the Issuer or, as the case may be, such Subsidiary Guarantor or JV Subsidiary Guarantor, or Surviving Person will pay such additional amounts ("Additional Amounts") as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

  (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

    (i) the existence of any present or former connection between the Holder or beneficial owner of such Note, Parent Guarantee, Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be), and the Relevant Jurisdiction (other than merely acquiring or holding such Note or the receipt of payments or enforcement of rights thereunder or under the Parent Guarantee, a Subsidiary Guarantee or a JV Subsidiary Guarantee), including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

    (ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;

(iii) the failure of the Holder or beneficial owner to comply with a timely request of the Issuer, the Parent Guarantor, a Surviving Person, or any Subsidiary Guarantor or JV Subsidiary Guarantor addressed to the Holder or beneficial owner, as the case may be, to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request is required under the tax laws of such jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or

(iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge; or

(c) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a) and (b); or

(2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under the Parent Guarantee, any Subsidiary Guarantee or any JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Paying Agent and the Trustee will make payments free of withholdings or deductions on account of taxes unless required by applicable law. If such a deduction or withholding is required, the Paying Agent or the Trustee will not be obligated to pay any Additional Amount to the recipient unless such an Additional Amount is received by the Paying Agent or the Trustee.

Each Holder, by accepting the Notes agrees, for the benefit of the Trustee, that it is solely responsible for its own independent appraisal of, and investigation into, all risks arising under or in connection with the offering of the Notes and has not relied on and will not at any time rely on the Trustee in respect of such risks.

Notwithstanding any other provision of the Indenture, any amounts to be paid on the Notes by or on behalf of the Issuer, and any amounts to be paid by or on behalf of the Parent Guarantor pursuant to the Parent Guarantee, or by or on behalf of any Subsidiary Guarantor pursuant to its Subsidiary Guarantee, as the case may be, will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the ''Code''), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a ''FATCA Withholding''). Neither the Issuer nor any other person will be required to pay any Additional Amounts in respect of FATCA Withholding.

Repurchase upon a SAFE Noncompliance Event

Upon completion by the Parent Guarantor of registration of the Parent Guarantee for the Notes with the Haimen Branch, the Parent Guarantor will be required to deliver an Officers' Certificate in a form set forth in the Indenture attaching a copy of the relevant certificate of registration from the Haimen Branch and certifying that such copy is true and correct (such registration and delivery of an Officers' Certificate to the Trustee attaching the Haimen Branch certificate referred to collectively as the "SAFE Completion Event"). If, on the date that is 90 Registration Business Days after the Original Issue Date, the SAFE Completion Event shall not have occurred (such nonoccurrence, a "SAFE Noncompliance Event"), the Issuer will be required to make an offer to repurchase all of the Notes at a price in cash equal to 100% of the principal amount of the Notes offered for repurchase, plus accrued and unpaid interest, if any, on the principal amount of the Notes being repurchased to but excluding the date of repurchase (a "SAFE Noncompliance Offer").

Within 10 calendar days following a SAFE Noncompliance Event, the Issuer will be required to give written notice of a SAFE Noncompliance Offer to the Trustee and the Holders of the Notes offering to repurchase all of the Notes on the date specified in the notice, which date will be no earlier than 30 calendar days and no later than 60 calendar days from the date such notice is given. See "Risk Factors – Risks Relating to the Notes and the Guarantees – The Issuer or the Parent Guarantor may not be able to redeem the Notes upon the occurrence of a SAFE Noncompliance Event."

A holder of Notes will have no right to require the Issuer to repurchase portions of Notes if it would result in the issuance of Notes, representing the portion not repurchased, in an amount of less than US$200,000. The Issuer will comply, to the extent applicable, with the requirements of applicable securities laws or regulations in connection with the repurchase of the Notes pursuant to this covenant.

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Issuer or a Surviving Person, as a whole but not in part, at any time upon giving not less than 30 days' nor more than 60 days' notice to the Holders and the Trustee (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with any accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Issuer or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or

(2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective (or in the case of an official position, is announced) (i) with respect to the Issuer or the Parent Guarantor, on or after October 19, 2017, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Issuer, the Parent Guarantor or such relevant Surviving Person, Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Issuer, the Parent Guarantor or such relevant Surviving Person, Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be; *provided that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer, the Parent Guarantor or such relevant Surviving Person or Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer, the Parent Guarantor or such relevant Surviving Person, Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

(1) an Officers' Certificate stating that such change, amendment, or stating of an official position referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Issuer, the Parent Guarantor or a Surviving Person, or a Subsidiary or a JV Subsidiary Guarantor, as the case may be, after taking reasonable measures available to it; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change, amendment, or stating of an official position referred to in the prior paragraph.

The Trustee shall be and is entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above without further verification, in which event it shall be conclusive and binding on the Holders and will not be responsible for any loss occasioned by acting in reliance on such certificate and opinion, and is not obligated to verify any information in any certificate or opinion.

Any Notes that are redeemed for tax reasons will be cancelled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

(1) The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Parent Guarantor will not permit any Restricted Subsidiary to issue Preferred Stock, *provided that* the Parent Guarantor, each Subsidiary Guarantor and JV Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness), any Finance Subsidiary may Incur Finance Subsidiary Indebtedness, the Issuer may issue Additional Notes, and any Non-Guarantor Subsidiary (other than any Finance Subsidiary) may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than (x) 3.0 to 1.0.

Notwithstanding the foregoing, the Parent Guarantor will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Issuer or the Parent Guarantor or a Subsidiary Guarantor, so long as it is so held).

(2) Notwithstanding the foregoing, the Parent Guarantor and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following (''Permitted Indebtedness''):

(a) Indebtedness under the Notes (excluding any Additional Notes), the Parent Guarantee and any Subsidiary Guarantee and JV Subsidiary Guarantee;

(b) any Pari Passu Guarantee;

(c) Indebtedness of the Parent Guarantor or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (2)(d) of this covenant; *provided that* such Indebtedness of Restricted Subsidiaries (other than

Subsidiary Guarantors, JV Subsidiary Guarantors and Finance Subsidiaries) shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness described in clauses (a), (d), (f) and (g) of this paragraph (2));

(d) Indebtedness of the Parent Guarantor or any Restricted Subsidiary owed to the Parent Guarantor or any Restricted Subsidiary; provided that (i) any event which results in any such Restricted Subsidiary to whom such Indebtedness is owed ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Parent Guarantor or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Issuer is the obligor on such Indebtedness, such Indebtedness (other than any intercompany loan from a Finance Subsidiary to the Parent Guarantor to transfer the proceeds of a Finance Subsidiary Indebtedness) must be unsecured and expressly be subordinated in right of payment to the Notes, and if the Parent Guarantor, a Subsidiary Guarantor or a JV Subsidiary Guarantor is the obligor on such Indebtedness and none of the Issuer, Finance Subsidiaries, the Parent Guarantor, the Subsidiary Guarantors or the JV Subsidiary Guarantors is the obligee, such Indebtedness must be unsecured and expressly subordinated in right of payment to the Parent Guarantee or the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be;

(e) Indebtedness ("Permitted Refinancing Indebtedness") issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, redeem, defease, discharge or extend (collectively, "refinance" and "refinances" and "refinanced" shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clauses (a), (c), (e), (l), (m), (n), (q), (s) and (t) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); *provided that* (i) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or the Parent Guarantee, or if any, a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or the Parent Guarantee, a Subsidiary Guarantee or a JV Subsidiary Guarantee, as the case may be, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made *pari passu* with, or subordinated in right of payment to, the remaining Notes or the Parent Guarantee, such Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or the Parent Guarantee, or a Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinated in right of payment to the Notes or the Parent Guarantee, such Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or the Parent Guarantee, such Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced (iii) in no event may Indebtedness of the Issuer, the Parent Guarantor, any Subsidiary Guarantor or any JV Subsidiary Guarantor, be

refinanced pursuant to this clause (e) by means of any Indebtedness of any Restricted Subsidiary that is not the Parent Guarantor, a Subsidiary Guarantor (other than a Finance Subsidiary Indebtedness); and (iv) in no event may Indebtedness of the Issuer, the Parent Guarantor or any Subsidiary Guarantor be refinanced pursuant to this clause (e) by means of any Indebtedness of any JV Subsidiary Guarantor, *provided that* this sub-clause (iv) shall not prohibit the replacement of a Subsidiary Guarantee by a JV Subsidiary Guarantee if otherwise permitted by the Indenture;

(f) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary pursuant to Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Parent Guarantor or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation;

(g) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case in the ordinary course of business and other than for an obligation for borrowed money);

(h) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than 30 days following receipt by the Parent Guarantor or such Restricted Subsidiary of a demand for reimbursement;

(i) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Parent Guarantor or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided that* the maximum aggregate liability in respect of all such Indebtedness in the nature of such guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;

(j) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided that* such Indebtedness is extinguished within five Business Days of Incurrence;

(k) Guarantees by the Parent Guarantor or any Restricted Subsidiary of Indebtedness of any Restricted Subsidiary or the Parent Guarantor that was permitted to be Incurred under another provision of this covenant, to the extent permitted under the "Limitation on Issuances of Guarantees by Restricted Subsidiaries" below;

(l) Indebtedness of the Parent Guarantor or any Restricted Subsidiary:

  (i) representing Capitalized Lease Obligations incurred in the ordinary course of business; or

  (ii) constituting purchase money Indebtedness incurred to finance (x) all or any part of the purchase price of equipment, property or assets to be used in the ordinary course of a Permitted Business of the Parent Guarantor or any Restricted Subsidiary (including the purchase of Capital Stock of any Person holding such

equipment, property or assets that is, or will upon such purchase become, a Restricted Subsidiary) or (y) the cost of development, construction or improvement of equipment, property or assets to be used in the ordinary course of a Permitted Business by the Parent Guarantor or a Restricted Subsidiary;

provided that, (A) such purchase money Indebtedness shall not exceed the purchase price of such equipment, property or assets so acquired, (B) such purchase money Indebtedness shall be Incurred no later than 180 days after the acquisition of such equipment, property or assets and (C) on the date of the Incurrence of any Indebtedness permitted by this clause, and after giving effect thereto, the sum of (a) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (l) (together with any refinancings thereof, but excluding any guarantee Incurred under this clause to the extent the amount of such guarantee is otherwise reflected in such aggregated principal amount) plus (b) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (2)(n), (2)(q), (2)(r), (2)(s) and (2)(t) hereof (together with any refinancings thereof, but excluding any guarantee Incurred under such clauses to the extent the amount of such guarantee is otherwise reflected in such aggregated principal amount) does not exceed an amount equal to 20% of Total Assets;

(m) Indebtedness of the Parent Guarantor or any Restricted Subsidiary consisting of local lines of credit, bilateral facilities, working capital facilities and/or other operating facilities, in each case, with a maturity of one year or less used for working capital purposes; *provided that*, on the date of the Incurrence of any Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (m) (together with any refinancings thereof) does not exceed US$20 million (or the Dollar Equivalent thereof);

(n) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary became a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); *provided that*, on the date of the Incurrence of any Indebtedness and after giving effect thereto, the sum of (i) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (n) (together with any refinancings thereof, but excluding any guarantee Incurred under this clause to the extent the amount of such guarantee is otherwise reflected in such aggregate principal amount) plus (ii) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (2)(l), (2)(q), (2)(r), (2)(s) and (2)(t) hereof (together with any refinancings thereof, but excluding any guarantee Incurred under such clauses to the extent the amount of such guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 20% of Total Assets;

(o) Indebtedness of the Parent Guarantor or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US$20 million (or the Dollar Equivalent thereof);

(p) Indebtedness of the Parent Guarantor or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Parent Guarantor or such Restricted Subsidiary enters into such Staged Acquisition Agreement;

(q) Indebtedness incurred by the Parent Guarantor or any Restricted Subsidiary under Credit Facilities; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (i) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (q) (together with any refinancings thereof, but excluding guarantee Incurred under this clause to the extent the amount of such guarantee is otherwise reflected in such aggregate principal amount) plus (ii) the aggregate principal amount outstanding of all Indebtedness Incurred under clause (2)(l), (2)(n), (2)(r), (2)(s) and (2)(t) hereof (together with any refinancings thereof, but excluding any guarantee Incurred under such clauses to the extent the amount of such guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 20% of Total Assets;

(r) Indebtedness Incurred or Preferred Stock issued by the Parent Guarantor or any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in any PRC Restricted Subsidiary, and Indebtedness of the Parent Guarantor or a Restricted Subsidiary constituting a guarantee by, or grant of a Lien on the assets of the Parent Guarantor or any PRC Restricted Subsidiary in favor of a Trust Company Investor with respect to the obligation to pay a guaranteed or preferred return to such Trust Company Investor on Capital Stock of such Restricted Subsidiary; *provided* that on the date of the Incurrence or issuance of such Indebtedness or Preferred Stock and after giving effect thereto, the sum of (i) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (r) (together with any refinancings thereof, but excluding any guarantee Incurred under this clause to the extent the amount of such guarantee is otherwise reflected in such aggregate principal amount) plus (ii) the aggregate principal amount outstanding of all Indebtedness Incurred under clause (2)(l), (2)(n), (2)(q), (2)(s) and (2)(t) hereof (together with any refinancings thereof, but excluding any guarantee Incurred under such clauses to the extent the amount of such guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 20% of Total Assets;

(s) Bank Deposit Secured Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary, *provided* that on the date of Incurrence of such Indebtedness and after giving effect thereto, the sum of, (1) the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (s) (together with any refinancings thereof, but excluding any guarantee Incurred under such clause to the extent the amount of such guarantee is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (2)(l), (2)(n), (2)(q), (2)(r) and (2)(t) hereof (together with any refinancings thereof, but excluding any guarantee Incurred under such clause to the extent the amount of such guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 20% of Total Assets;

(t) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary constituting a guarantee of Indebtedness of any Person (other than the Parent Guarantor, any Restricted Subsidiary, or any Person described in clauses (x) or (y) of the first paragraph of the covenant under the caption "– Limitation on Transactions with Shareholders and Affiliates;") *provided* that on the date of Incurrence of such Indebtedness and after giving effect thereto, the sum of, (1) the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (t) (together with any refinancings thereof), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (2)(l), (2)(n), (2)(q), (2)(r) and (2)(s) hereof (together with any refinancings thereof, but excluding any guarantee Incurred under

such clause to the extent the amount of such guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 20% of Total Assets; and

(u) Indebtedness Incurred by the Parent Guarantor constituting a Subordinated Shareholder Loan.

(3) For purposes of determining compliance with this "Limitation on Indebtedness and Preferred Stock" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first paragraph of part (1), the Parent Guarantor, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness in one or more types of Indebtedness described above.

(4) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies *provided that* such Indebtedness was permitted to be Incurred at the time of such Incurrence. For purposes of determining compliance with any U.S. dollar denominated restriction on the Incurrence of Indebtedness, the Dollar Equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; *provided that* if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currency in which such refinancing Indebtedness is denominated that is in effect on the date of such refinancing. Notwithstanding any other provision of the Indenture, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies, provided that such Indebtedness was permitted to be Incurred at the time of such Incurrence.

Limitation on Restricted Payments

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as "Restricted Payments"):

(1) declare or pay any dividend or make any distribution on or with respect to the Parent Guarantor's or any of its Restricted Subsidiaries' Capital Stock (other than dividends or distributions payable or paid in shares of the Parent Guarantor's Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Parent Guarantor or any Wholly Owned Restricted Subsidiary;

(2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock (including options, warrants or other rights to acquire such shares of Capital Stock) of the Parent Guarantor or any Restricted Subsidiary or any direct or indirect parent of the Parent Guarantor held by any Persons (other than the Parent Guarantor or any Wholly

Owned Restricted Subsidiary) other than (i) the purchase of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement permitted to be entered into under the Indenture or (ii) the purchase of Capital Stock of a Restricted Subsidiary held by any Trust Company Investor in connection with Indebtedness Incurred under clause (2)(r) of the covenant described under the caption "– Limitation on Indebtedness and Preferred Stock;"

(3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes, the Parent Guarantee, any Subsidiary Guarantee or any JV Subsidiary Guarantee (excluding any intercompany Indebtedness between or among the Parent Guarantor and any of its Restricted Subsidiaries); or

(4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

(a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(b) the Parent Guarantor could not Incur at least US$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant under the caption "– Limitation on Indebtedness and Preferred Stock;" or

(c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Parent Guarantor and its Restricted Subsidiaries after the Original Issue Date, shall exceed the sum of (without duplication):

(i) 50% of the aggregate amount of the Consolidated Net Income of the Parent Guarantor (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the fiscal quarter during which the Notes are originally issued and ending on the last day of the Parent Guarantor's most recently ended fiscal quarter for which consolidated financial statements of the Parent Guarantor (which the Parent Guarantor shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus

(ii) 100% of the aggregate Net Cash Proceeds received by the Parent Guarantor after the Original Issue Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Parent Guarantor, including any such Net Cash Proceeds received upon (A) the conversion by a Person who is not a Subsidiary of the Parent Guarantor of any Indebtedness (other than Subordinated Indebtedness) of the Parent Guarantor into Capital Stock (other than Disqualified Stock) of the Parent Guarantor, or (B) the exercise by a Person who is not a Subsidiary of the Parent Guarantor of any options, warrants or other rights to acquire Capital Stock of the Parent Guarantor (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Parent Guarantor or any Restricted Subsidiary; plus

(iii) the amount by which Indebtedness of the Parent Guarantor or any of its Restricted Subsidiaries is reduced on the Parent Guarantor's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Parent Guarantor) subsequent to the Original Issue Date of any Indebtedness of the Parent Guarantor

or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Parent Guarantor (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Parent Guarantor upon such conversion or exchange), *provided, however, that* the foregoing amount shall not exceed the Net Cash Proceeds received by the Parent Guarantor or any of its Restricted Subsidiaries from the Incurrence of such Indebtedness; plus

(iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Original Issue Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Parent Guarantor or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Original Issue Date, (B) the unconditional release of a guarantee provided by the Parent Guarantor or a Restricted Subsidiary after the Original Issue Date of an obligation of another Person, (C) to the extent that an Investment made after the Original Issue Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Parent Guarantor or a Restricted Subsidiary after the Original Issue Date in any such Person or Unrestricted Subsidiary; plus

(v) US$20 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

(1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

(2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Parent Guarantor, any Finance Subsidiary, or any Subsidiary Guarantor or JV Subsidiary Guarantor with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(3) the redemption, repurchase or other acquisition of Capital Stock of the Parent Guarantor, any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or a substantially concurrent sale (other than to a Subsidiary of the Parent Guarantor) of, shares of the Capital Stock (other than Disqualified Stock) of the Parent Guarantor, any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided that* the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

(4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Parent Guarantor, any Subsidiary Guarantor or JV Subsidiary Guarantor in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Parent Guarantor) of, shares of the Capital Stock (other than Disqualified Stock) of the Parent Guarantor, any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided that* the amount of any such Net Cash Proceeds that

are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, *provided however that* any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (4);

(5) the declaration and payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a *pro rata* basis or on a basis more favorable to the Parent Guarantor, to all holders of any class of Capital Stock of such Restricted Subsidiary, a majority of which is held, directly or indirectly through Restricted Subsidiaries, by the Parent Guarantor;

(6) cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Parent Guarantor; *provided that*, any such cash payment shall not be for the purpose of evading the limitation of this "Limitation on Restricted Payments" covenant (as determined in good faith by the Board of Directors of the Parent Guarantor);

(7) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Parent Guarantor or any Restricted Subsidiary held by an employee benefit plan of the Parent Guarantor or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the Parent Guarantor or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing); *provided that* the aggregate price paid for all such repurchased, redeemed, acquired or retired Capital Stock may not exceed US$1 million (or the Dollar Equivalent thereof) in the aggregate;

(8) the purchase of Capital Stock of a Person pursuant to a Staged Acquisition Agreement to acquire the Capital Stock of such Person; *provided that* such Person becomes a Restricted Subsidiary on or before the last date in the period stipulated in such Staged Acquisition Agreement for which the purchase price can be made;

(9) the declaration and payment of dividends by the Parent Guarantor, with respect to any fiscal year, in an aggregate amount not to exceed (x) 20% of the distributable profits of the Parent Guarantor in such fiscal year so long as the Capital Stock of the Parent Guarantor is listed on the NEEQ or as otherwise required by NEEQ, or (y) 30% of the distributable profits of the Parent Guarantor in such fiscal year so long as the Capital Stock of the Parent Guarantor is listed on the Shanghai Stock Exchange or as otherwise required by the Shanghai Stock Exchange;

(10) dividends paid to, or the purchase of Capital Stock of any PRC Restricted Subsidiary held by, any Trust Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred under clause (2)(r) under the caption "Limitation on Indebtedness and Preferred Stock;" or

(11) the purchase by the Parent Guarantor or any Restricted Subsidiary of the Capital Stock of any Restricted Subsidiary that is not Wholly Owned, directly or indirectly, by the Parent Guarantor from an Independent Third Party, *provided that* the Parent Guarantor delivers to the Trustee a Board Resolution set forth in an Officers' Certificate confirming that, in the opinion of the Board of Directors, the purchase price of such Capital Stock is less than or equal to the Fair Market Value of such Capital Stock.

provided that, in the case of clause (2), (3), (4) or (5) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to clause (1), (5) and (9) of the preceding paragraph after the Original Issue Date shall be included in calculating whether the conditions of clause (c) of the first paragraph of this "– Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Parent Guarantor or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US$10 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in an amount in excess of US$10 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in clauses (5) through (11) other than (9) in the second paragraph of this "– Limitation on Restricted Payments"), the Parent Guarantor will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "– Limitation on Restricted Payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

If a payment or other action meets the criteria of more than one of the clauses in the second paragraph of this covenant, or is permitted under the first paragraph of this covenant (including by virtue of qualifying as a Permitted Investment), the Parent Guarantor and the Restricted Subsidiaries will be permitted to classify such payment or other action on the date of its occurrence in any manner that complies with this covenant. Payments or other actions permitted by this covenant need not be permitted solely by reference to one provision permitting such payment or other action but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such payment or other action (including pursuant to any section of the definition of "Permitted Investment").

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(1) Except as provided below, the Parent Guarantor will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

    (a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Parent Guarantor or any other Restricted Subsidiary;

    (b) pay any Indebtedness or other obligation owed to the Parent Guarantor or any other Restricted Subsidiary;

    (c) make loans or advances to the Parent Guarantor or any other Restricted Subsidiary; or

    (d) sell, lease or transfer any of its property or assets to the Parent Guarantor or any other Restricted Subsidiary,

    provided that for the avoidance of doubt the following shall not be deemed to constitute such an encumbrance or restriction: (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Parent Guarantor or any Restricted Subsidiary to other Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing

Indebtedness requiring transactions between or among the Parent Guarantor and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's length basis.

(2) The provisions of paragraph (1) under this covenant do not apply to any encumbrances or restrictions:

(a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Parent Guarantee, any Subsidiary Guarantee or JV Subsidiary Guarantees, the Indenture or Pari Passu Guarantee, and any extensions, amendments, refinancings, renewals or replacements of any of the foregoing agreements; *provided that* the encumbrances and restrictions in any such extension, amendments, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, amended, refinanced, renewed or replaced;

(b) arising or existing under or by reason of applicable law, rule, regulation or order;

(c) existing with respect to any Person or the property or assets of such Person acquired by the Parent Guarantor or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, amendments, refinancings, renewals or replacements thereof; *provided that* the encumbrances and restrictions in any such extension, amendments, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, amended, refinanced, renewed or replaced;

(d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, or (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Parent Guarantor or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of the property or assets of the Parent Guarantor or any Restricted Subsidiary in any manner material to the Parent Guarantor or any Restricted Subsidiary;

(e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale, transfer or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the "– Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "– Limitation on Indebtedness and Preferred Stock," "Consolidation, Merger and Sale of Assets" and "– Limitation on Asset Sales" covenants;

(f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness or issue of Preferred Stock of the type described under clause (2)(l) or permitted under clauses (2)(m), (2)(n), (2)(o), (2)(p), (2)(q), (2)(r), (2)(s) and (2)(t) of the "– Limitation on Indebtedness and Preferred Stock" covenant if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Issuer to make required payment on the Notes, the Parent Guarantor to

make required payment on its Parent Guarantee, any Subsidiary Guarantor to make required payment on its Subsidiary Guarantee or any JV Subsidiary Guarantor to make required payment on its JV Subsidiary Guarantee, as the case may be, and, with respect to Indebtedness of the type described in clause (2)(l) or permitted under clauses (2)(m), (2)(n), (2)(o), (2)(p), (2)(q), (2)(r), (2)(s) and (2)(t), any extensions, amendments, refinancings, renewals or replacements of any of the foregoing agreements; *provided that* the encumbrances and restrictions in any such extension, amendments, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, amended, refinanced, renewed or replaced;

(g) any encumbrance or restriction existing by reason of any Lien permitted under the "– Limitation on Liens" covenant;

(h) existing with respect to Hedging Obligation permitted to be Incurred under clause (2)(f) of the covenant described under the caption "– Limitation on Indebtedness and Preferred Stock" solely to the extent that such restriction or encumbrance is only encumbering customary initial deposits or margin deposits or is otherwise within the general parameters customary in the industry with respect to such Hedging Obligations;

(i) existing in customary provisions in leases, licenses, joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a lease, license, joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Parent Guarantor to make the required payments under the Parent Guarantee or (y) any Subsidiary Guarantor to make required payments under its Subsidiary Guarantee; and

(j) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Unrestricted Subsidiary or its subsidiaries or the property or assets of such Unrestricted Subsidiary or its subsidiaries, and any extensions, amendments, refinancings, renewals or replacements thereof; *provided that*, the encumbrances and restrictions in any such extension, amendment, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, amended, refinanced, renewed or replaced.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Parent Guarantor will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

(1) to the Parent Guarantor or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, *pro rata* to its shareholders or incorporators or on a basis more favorable to the Parent Guarantor and its Restricted Subsidiaries;

(2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Parent Guarantor or a Wholly Owned Restricted Subsidiary;

(3) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "Limitation on Restricted Payments" covenant if made on the date of such issuance or sale and *provided that* the Parent Guarantor complies with the "– Limitation on Asset Sales" covenant; or

(4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided that* the Parent Guarantor or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "– Limitation on Asset Sales" covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Parent Guarantor will not permit any Restricted Subsidiary which is not the Issuer or a Subsidiary Guarantor or a JV Subsidiary Guarantor, if any, directly or indirectly, to guarantee any Indebtedness ("Guaranteed Indebtedness") of the Parent Guarantor or any Restricted Subsidiary, unless (1)(a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated and unconditional Subsidiary Guarantee of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Parent Guarantor or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee until the Notes have been paid in full or (2) such guarantee and such Guaranteed Indebtedness are permitted by clauses (2)(b), (2)(c) or (2)(d) or 2(k)(in the case of clauses (2)(k), other than a guarantee by a PRC Restricted Subsidiary of the Indebtedness of a non-PRC Restricted Subsidiary or a guarantee by a Restricted Subsidiary of the Indebtedness of a Finance Subsidiary), under the caption "– Limitation on Indebtedness and Preferred Stock."

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes or any Subsidiary Guarantee, then the guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, Subsidiary Guarantee, or (2) is subordinated in right of payment to the Notes or any Subsidiary Guarantee, then the guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Subsidiary Guarantee.

Limitation on Transactions with Shareholders and Affiliates

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Parent Guarantor or (y) any Affiliate of the Parent Guarantor (each an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Parent Guarantor or the relevant Restricted Subsidiary than those that would have been obtained in a comparable arm's length transaction by the Parent Guarantor or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Parent Guarantor or such Restricted Subsidiary; and

(2) the Parent Guarantor delivers to the Trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$5 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such

Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$10 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause (2)(a) above, an opinion as to the fairness to the Parent Guarantor or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular compensation to directors of the Parent Guarantor or any Restricted Subsidiary who are not employees of the Parent Guarantor or any Restricted Subsidiary;

(2) transactions between or among the Parent Guarantor and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;

(3) any Restricted Payment of the type described in clauses (1) or (2) of the first paragraph of the covenant described above under the caption "– Limitation on Restricted Payments" if permitted by that covenant;

(4) any sale of Capital Stock (other than Disqualified Stock) of the Parent Guarantor;

(5) the payment of compensation to officers and directors of the Parent Guarantor or any Restricted Subsidiary pursuant to an employee stock or share option scheme; and

(6) any repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Parent Guarantor or any Restricted Subsidiary pursuant to clause (7) of the second paragraph of the covenant described under "– Limitation on Restricted Payments."

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (other than Permitted Investments) not prohibited by the "– Limitation on Restricted Payments" covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in the Offering Memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Parent Guarantor and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date and (iii) any transaction (A) between or among the Parent Guarantor, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or (B) between or among the Parent Guarantor or a Restricted Subsidiary on the one hand and any Unrestricted Subsidiary, Jointly Controlled Entity or Associate on the other hand; *provided that* in the case of clause (iii) (a) such transaction is entered into in the ordinary course of business and (b) none of the minority shareholders or minority partners of or in such Restricted Subsidiary that is not Wholly Owned by the Parent Guarantor is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary or by reason of being a Subsidiary of the Parent Guarantor) and (c) in the case of a Unrestricted Subsidiary, Jointly Controlled Entity or Associate, none of the shareholders or partners which beneficially owns more than 10% of the Capital Stock of or in such Unrestricted Subsidiary, Jointly Controlled Entity or Associate is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such shareholder or partner being an officer or director of such entity or by reason of being a Subsidiary of the Parent Guarantor).

Limitation on Liens

The Parent Guarantor will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

Limitation on Sale and Leaseback Transactions

The Parent Guarantor will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; *provided that* the Parent Guarantor or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

(1) the Parent Guarantor or such Restricted Subsidiary could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described above under "– Limitation on Indebtedness and Preferred Stock" and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption "– Limitation on Liens," in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;

(2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and

(3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Parent Guarantor or such Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under the caption "– Limitation on Asset Sales."

Limitation on Asset Sales

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

(1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

(2) the consideration received by the Parent Guarantor or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of;

(3) in the case of an Asset Sale that constitutes an Asset Disposition, the Issuer could Incur at least US$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant under the caption "– Limitation on Indebtedness and Preferred Stock" after giving *pro forma* effect to such Asset Disposition; and

(4) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided that* in the case of an Asset Sale in which the Parent Guarantor or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration with Fair Market Value in excess of US$10 million (or the Dollar Equivalent thereof), the Parent Guarantor shall deliver to the Trustee an opinion as to the fairness to the Parent Guarantor or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing. For purposes of this provision, each of the following will be deemed to be cash:

    (a) any liabilities, as shown on the Parent Guarantor's most recent consolidated balance sheet, of the Parent Guarantor or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, the Parent

Guarantor, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, set-off, novation or similar agreement that releases the Parent Guarantor or such Restricted Subsidiary from further liability; and

(b) any securities, notes or other obligations received by the Parent Guarantor or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Parent Guarantor or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion;

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Parent Guarantor (or any Restricted Subsidiary) may apply such Net Cash Proceeds to:

(1) permanently repay Senior Indebtedness of the Issuer, the Parent Guarantor or any Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not the Issuer (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Parent Guarantor or a Restricted Subsidiary; or

(2) acquire Replacement Assets;

provided that pending application of such Net Cash Proceeds in accordance with clause (1) or (2) above, the Parent Guarantor or any Restricted Subsidiary may make an Investment in cash or Temporary Cash Investments.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US$10 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceeds US$10 million (or the Dollar Equivalent thereof), within 10 days thereof, the Issuer or the Parent Guarantor must make an Offer to Purchase Notes having a principal amount equal to:

(1) accumulated Excess Proceeds, multiplied by

(2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest US$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount of the Notes and such other *pari passu* Indebtedness plus any accrued and unpaid interest to (but excluding) the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Parent Guarantor or any Restricted Subsidiary may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes (and such other *pari passu* Indebtedness) to be purchased on a *pro rata* basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on the Parent Guarantor's Business Activities

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; *provided, however, that* the Parent Guarantor or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint

venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited when made by the covenant under the caption "– Limitation on Restricted Payments"; *provided further*, that the Parent Guarantor shall at all times own all the Capital Stock of the Issuer.

Limitation on the Issuer's Activities

Notwithstanding anything contained in the Indenture to the contrary, the Issuer will not engage in any business activity or undertake any other activity, except any activity (a) relating to the offering, sale or issuance of the Notes, the incurrence of Indebtedness represented by the Notes or any Additional Notes issued under the Indenture (if such offering, sale or issuance is permitted under the Indenture), (b) contributing to, lending to or otherwise using the proceeds of the issuance of Indebtedness incurred by the Issuer to fund the activities of, the Parent Guarantor or any Restricted Subsidiary, (c) undertaken with the purpose of fulfilling any obligations under the Indebtedness referred to in clause (a) under this "Limitation on the Issuer's Activities" covenant or the Indenture or any future indenture related to such Indebtedness or for purposes of any consent solicitation or tender for such Indebtedness or refinancing of such Indebtedness or (d) directly related to the establishment and/or maintenance of the Issuer's corporate existence.

The Issuer will not (a) issue any Capital Stock other than the issuance of its ordinary shares to the Parent Guarantor or a Wholly Owned Restricted Subsidiary or (b) acquire or receive any property or assets (including, without limitation, any Capital Stock or Indebtedness of any Person), other than (x) any future intercompany Indebtedness owed by the Parent Guarantor or any Restricted Subsidiary to the Issuer in respect of the borrowing of the gross proceeds of the issuance of Indebtedness by the Issuer or payments in respect thereof or (y) cash for ongoing corporate activities of the Issuer described in the preceding paragraph.

The Issuer will not create, incur, assume or suffer to exist any Lien of any kind against or upon any of its property or assets, or any proceeds therefrom unless otherwise permitted under the Indenture.

For so long as any Notes are outstanding, the Issuer will not, and the Parent Guarantor will procure that none of the Restricted Subsidiaries will, commence or take any action to cause a winding-up or liquidation of the Issuer.

The Issuer will not consolidate with, merge with or into, another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets to any Person.

Use of Proceeds

The Issuer and the Parent Guarantor will not, and the Parent Guarantor will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than as specified under the caption "Use of Proceeds" in the Offering Memorandum.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary (other than the Issuer) to be an Unrestricted Subsidiary; *provided that* (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Parent Guarantor nor any Restricted Subsidiary provides credit support for the Indebtedness of such Restricted Subsidiary (other than any guarantee in compliance with clause (6) below); (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Parent Guarantor, the Issuer or any other Restricted Subsidiary; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Parent Guarantor or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Parent Guarantor or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described

under the caption "– Certain Covenants – Limitation on Indebtedness and Preferred Stock" or such Lien would violate the covenant described under the caption "– Limitation on Liens;" (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under "– Certain Covenants – Limitation on Restricted Payments"; *provided further that*, the Issuer shall be a Restricted Subsidiary for so long as any Notes are outstanding.

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided that* (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption "– Certain Covenants – Limitation on Indebtedness and Preferred Stock;" (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption "– Certain Covenants – Limitation on Liens;" (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); (5) if such Restricted Subsidiary (other than a Exempted Subsidiary or Listed Subsidiary) is not organized under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor.

Government Approvals and Licenses; Compliance with Law

The Parent Guarantor will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply with would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Parent Guarantor and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Issuer, or any Subsidiary Guarantor or JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee or JV Subsidiary Guarantee or the Indenture.

Anti-Layering

The Parent Guarantor will not Incur, and will not permit the Issuer or any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Parent Guarantor, the Issuer or such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes or the applicable Subsidiary Guarantee or JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or guarantees securing or in favor of some but not all of such Indebtedness.

Suspension of Certain Covenants

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from two of the three Rating Agencies and no Default has occurred and is continuing (a "Suspension Event"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from two of the three Rating Agencies, the provisions of the Indenture summarized under the following captions will be suspended:

(1) "– Certain Covenants – Limitation on Indebtedness and Preferred Stock";

(2) "– Certain Covenants – Limitation on Restricted Payments";

(3) "– Certain Covenants – Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries";

(4) "– Certain Covenants – Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries";

(5) "– Certain Covenants – Limitation on Transactions with Shareholders and Affiliates";

(6) "– Certain Covenants – Limitation on Issuances of Guarantees by Restricted Subsidiaries";

(7) "– Certain Covenants – Limitation on the Parent Guarantor's Business Activities";

(8) "– Certain Covenants – Limitation on Sale and Leaseback Transactions";

(9) "– Certain Covenants – Limitation on Asset Sales."; and

(10) Clause (4) under the first and second paragraphs of the covenants described under the caption "– Certain Covenants – Consolidation, Merger and Sale of Assets."

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under the caption "– Certain Covenants – Designation of Restricted and Unrestricted Subsidiaries" or the definition of "Unrestricted Subsidiary."

Such covenants will be reinstituted and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Parent Guarantor or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under "– Certain Covenants – Limitation on Restricted Payments" will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of Financial Statements and Reports

(1) So long as any of the Notes remain outstanding, the Parent Guarantor will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 30 calendar days after they are filed with NEEQ or any other recognized exchange on which the Parent Guarantor's Common Stock are at any time listed for trading, true and correct copies of any financial report filed with such exchange; *provided that* if at

any time the Common Stock of the Parent Guarantor ceases to be listed for trading on a recognized stock exchange, the Parent Guarantor will file with the Trustee and furnish to the Holders:

(a) as soon as they are available, but in any event within 150 calendar days after the end of the fiscal year of the Parent Guarantor, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of a nationally or internationally-recognized firm of independent accountants, in each case together with an English translation thereof;

(b) as soon as they are available, but in any event within 120 calendar days after the end of the second financial quarter of the Parent Guarantor, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of a nationally or internationally-recognized firm of independent accountants, in each case together with an English translation thereof; and

(c) as soon as they are available, but in any event within 60 calendar days after the end of each of the first and third financial quarters of the Parent Guarantor, copies of its unaudited financial statements (on a consolidated basis), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Parent Guarantor together with a certificate signed by the person then authorized to sign financial statements on behalf of the Parent Guarantor to the effect that such financial statements are true in all material respects and present fairly the financial position of the Parent Guarantor as at the end of, and the results of its operations for, the relevant quarterly period, in each case together with an English translation thereof.

(2) In addition, so long as any of the Notes remain outstanding, the Parent Guarantor will provide to the Trustee (a) within 150 calendar days after the close of each fiscal year, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the most recent fiscal year and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Parent Guarantor's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; *provided that* the Parent Guarantor shall not be required to provide such certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification; and (b) as soon as possible and in any event within 30 days after the Parent Guarantor becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Parent Guarantor proposes to take with respect thereto.

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

(1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(2) default in the payment of interest or Additional Amounts on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(3) (a) default in the performance or breach of the provisions of the covenants described under "– Consolidation, Merger and Sale of Assets," and "– Certain Covenants – Limitation on Liens," or (b) the failure by the Issuer or the Parent Guarantor to make or consummate an Offer to Purchase in the manner described under the captions "– Repurchase of Notes upon a Change of Control Triggering Event," "– Repurchase of Notes upon a SAFE Noncompliance Event," or "– Certain Covenants – Limitation on Asset Sales."

(4) the Parent Guarantor or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes then outstanding;

(5) there occurs with respect to any Indebtedness of the Parent Guarantor or any Restricted Subsidiary having an outstanding principal amount of US$10 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;

(6) one or more final judgments or orders for the payment of money are rendered against the Parent Guarantor or any of its Restricted Subsidiaries and are not paid or discharged within the time frame specified in such final judgment or order, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$10 million (or the Dollar Equivalent thereof) (in excess of amounts which the Parent Guarantor's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(7) an involuntary case or other proceeding is commenced against the Parent Guarantor or any Significant Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Parent Guarantor or any Significant Restricted Subsidiary or for any substantial part of the property and assets of the Parent Guarantor or any Significant Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Parent Guarantor or any Significant Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(8) the Parent Guarantor or any Significant Restricted Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) other than in connection with a solvent liquidation on reorganization (except for any solvent liquidation or reorganization of the Issuer or the Parent Guarantor), consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Parent Guarantor or any Significant Restricted Subsidiary or for all or substantially all of the property and assets of the Parent Guarantor or any Significant Restricted Subsidiary or (c) effects any general assignment for the benefit of creditors; and

(9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee, except as permitted by the Indenture, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Issuer and the Parent Guarantor (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall (subject to being indemnified and/or secured and/or prefunded to its satisfaction), declare the principal of, premium, if any, and any accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and any accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Parent Guarantor or any Restricted Subsidiary, the principal of, premium, if any, and any accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Issuer will be required to furnish to the Trustee annually, and within 14 days of any written request by the Trustee, a statement concerning the performance and observance of its obligations under the Notes or the Indenture and the occurrence of any Event of Default, if any. In addition, the Issuer is required to as soon as reasonably practicable notify the Trustee in writing of the occurrence of any Event of Default.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Issuer and the Parent Guarantor and to the Trustee may on behalf of the Holders of Notes waive all past Defaults and rescind and annul a declaration of acceleration and its consequences if:

(1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and

(2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may, and shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, pursue in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction in advance of the proceedings. However, the Trustee may refuse to follow any direction that is unclear, conflicting or equivocal, conflicts with law or the Indenture, that may involve the Trustee in personal liability and may take any other action it deems proper that is not inconsistent with any such direction received from Holders. In addition, the Trustee will not be required to expend its own funds in following such direction if it does not believe that reimbursement or satisfactory indemnification and/or security is assured to it.

A Holder of Notes may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

(1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity and/or security and/or prefunding reasonably satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity and/or security and/or prefunding; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Parent Guarantor must certify to the Trustee in writing, on or before a date not more than 150 calendar days after the end of each fiscal year ending after the Original Issue Date and within 14 days after written request from the Trustee, that a review has been conducted of the activities of the Parent Guarantor and its Restricted Subsidiaries and the Parent Guarantor's and the Issuer's performance under the Indenture and that the Parent Guarantor and the Issuer have fulfilled all obligations thereunder, or, if there has been a Default in the fulfillment of any such obligation, specifying each such Default and the nature and status thereof. The Parent Guarantor will also be obligated to notify the Trustee in writing of any Default or Defaults in the performance of any covenants or agreements under the Indenture. See "– Provision of Financial Statements and Reports."

None of the Trustee or any Agent is obligated to do anything to ascertain whether any Event of Default or Default has occurred or is continuing and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and each of the Trustee and the Agents may assume that no such event has occurred and that the Issuer, Parent Guarantor, the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any, are performing all of their respective obligations under the Indenture, the Notes, the Parent Guarantee, the Subsidiary Guarantee and the JV Subsidiary Guarantee, as the case may be, unless the Trustee or the Agents, as the case may be, has received written notice of the occurrence of such event or facts establishing that a Default or an Event of Default has occurred or that the Issuer, Parent Guarantor and the Subsidiary Guarantors and the JV Subsidiary Guarantors, as the case may be, are not performing all of their respective obligations under the Indenture, the Notes, the Parent Guarantee, or if given, the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be. The Trustee or the Agents are entitled to rely on any Opinion of Counsel or Officers' Certificate regarding whether a Default or an Event of Default has occurred.

Consolidation, Merger and Sale of Assets

The Parent Guarantor will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person, unless each of the following conditions is satisfied:

(1) the Parent Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the PRC and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Parent Guarantor under the Indenture and the Notes, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the Notes shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a *pro forma* basis, the Parent Guarantor or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Parent Guarantor immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a *pro forma* basis, the Parent Guarantor or the Surviving Person, as the case may be, could Incur at least US$1.00 of Indebtedness under the first paragraph of part (1) of the covenant under the caption "– Certain Covenants – Limitation on Indebtedness and Preferred Stock;"

(5) the Parent Guarantor delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that (A) such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with and (B) if the Parent Guarantor is the continuing Person, the Parent Guarantee provided by the Parent Guarantor and all the obligations of the Parent Guarantor under the Indenture and the Notes, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the Notes shall remain valid and in full force and effect, and that no registration with, or approval from, any government authority shall be required with respect to such documents' validity or enforceability other than any such registration or approval that has been made or obtained prior to such transaction;

(6) each Subsidiary Guarantor and each JV Subsidiary Guarantor, if any, unless such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is the Person with which the Parent Guarantor has entered into a transaction described under the caption "– Consolidation, Merger and Sale of Assets," shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or its JV Subsidiary Guarantee, as the case may be, shall apply to the obligations of the Issuer in accordance with the Notes and the Indenture; and

(7) no Rating Decline shall have occurred.

No Subsidiary Guarantor or JV Subsidiary Guarantor, if any, will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Parent Guarantor or another Subsidiary Guarantor or JV Subsidiary Guarantor, if any), unless each of the following conditions is satisfied:

(1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Parent Guarantor, another Subsidiary Guarantor or JV Subsidiary Guarantor or shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor concurrently with the transaction; and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture, and the Notes, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture, and the Notes, as the case may be, shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a *pro forma* basis, the Parent Guarantor shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Parent Guarantor immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a *pro forma* basis, the Parent Guarantor could Incur at least US$1.00 of Indebtedness under the first paragraph of part (1) of the covenant under the caption "– Certain Covenants – Limitation on Indebtedness and Preferred Stock;"

(5) the Parent Guarantor or the Issuer delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4) of this paragraph) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and

(6) no Rating Decline shall have occurred;

provided that this paragraph shall not apply to any sale or other disposition that complies with the "– Certain Covenants – Limitation on Asset Sales" covenant or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under "– The Subsidiary Guarantees and JV Subsidiary Guarantees– Release of the Subsidiary Guarantees and or the JV Subsidiary Guarantees."

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing requirements shall not apply to (i) a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Parent Guarantor or another Subsidiary Guarantor or JV Subsidiary Guarantor, so long as such Parent Guarantor or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Parent Guarantor and the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any, that may adversely affect Holders.

No Payments for Consents

The Parent Guarantor will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Defeasance

Defeasance and Discharge

The Indenture will provide that the Issuer will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

(1) the Issuer (a) has deposited into an account opened with the Trustee (or its agent), money and/or U.S. Government Obligations or any combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity for such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally-recognized firm of independent accountants to the effect that the amount deposited by the Issuer is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;

(2) the Issuer has delivered to the Trustee an Opinion of Counsel from a firm of recognized international standing to the effect that the creation of and the deposit of assets into the defeasance account does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the fund or assets will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and

(3) immediately after giving effect to such deposit on a *pro forma* basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Parent Guarantor or any of its Restricted Subsidiaries is a party or by which the Parent Guarantor or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes, the Parent Guarantee, Subsidiary Guarantees and JV Subsidiary Guarantees terminate.

Defeasance of Certain Covenants

The Indenture will provide that (i) the provisions of the Indenture will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph and clauses (3), (4), (5)(x) and (6) under the second paragraph under "– Consolidation, Merger and Sale of Assets" and all the covenants described herein under "– Certain Covenants," other than as described under "– Certain Covenants-Government Approvals and Licenses; Compliance with Law" and "– Certain Covenants –Anti-Layering," and (ii) clause (3) under "– Events of Default" with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph and clauses (3), (4), (5)(x) and (6) under the second paragraph under "Consolidation, Merger and Sale of Assets" and with respect to the other events set forth in the above clause (i), clause (4) under "Events of Default" with respect to such other covenants and clauses (5) and (6) under "Events of Default" shall be deemed not to be Events of Default upon, among other things, the deposit into an account opened with the Trustee, of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event that the Issuer exercises its option to omit compliance with certain covenants and provisions of the Indenture as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Issuer will remain liable for such payments.

Amendments and Waiver

Amendments Without Consent of Holders

The Indenture, the Notes, the Parent Guarantee, the Subsidiary Guarantees and the JV Subsidiary Guarantees, if any, may be amended, without the consent of any Holder, to:

(1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Parent Guarantee, the Subsidiary Guarantees or the JV Subsidiary Guarantees, if any;

(2) comply with the provisions described under "– Consolidation, Merger and Sale of Assets;"

(3) evidence and provide for the acceptance of appointment by a successor Trustee;

(4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;

(5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(6) provide collateral to secure the Notes or any Subsidiary Guarantee, as the case may be;

(7) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

(8) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream;

(9) make any other change that does not materially and adversely affect the rights of any Holder; or

(10) conform the text of the Indenture, the Notes, the Parent Guarantee, Subsidiary Guarantees, or the JV Subsidiary Guarantee, if any, to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim recitation of a provision in the Indenture, the Notes, the Parent Guarantee, Subsidiary Guarantees, or the JV Subsidiary Guarantee.

Amendments With Consent of Holders

The Indenture, the Notes, the Parent Guarantee, Subsidiary Guarantees and the JV Subsidiary Guarantee, if any, may be amended with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the Holders of a majority in principal amount of the outstanding Notes may amend or waive future compliance by the Parent Guarantor or any of its Restricted Subsidiaries with any provision thereof; *provided, however, that* no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(2) reduce the principal amount of, or premium, if any, or interest on, any Note;

(3) change the place, currency or time of payment of principal of, or premium, if any, or interest on, any Note;

(4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note, the Parent Guarantee, and Subsidiary Guarantees and the JV Subsidiary Guarantee, if any;

(5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;

(6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;

(7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;

(8) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

(9) amend, change or modify the Parent Guarantee, any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects the Holders;

(10) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale;

(11) change the redemption date or the redemption price of the Notes from that stated under the caption "– Optional Redemption" or "– Redemption for Taxation Reasons;"

(12) amend, change or modify the obligation of the Issuer, the Parent Guarantor, the Subsidiary Guarantors or the JV Subsidiary Guarantors to pay Additional Amounts; or

(13) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes, the Parent Guarantee, the Subsidiary Guarantees or the JV Subsidiary Guarantees in a manner which adversely affects the Holders.

Unclaimed Money

Claims against the Issuer, the Parent Guarantor, the Subsidiary Guarantors or the JV Subsidiary Guarantors for the payment of principal of, premium, if any, or interest, on the Notes, the Parent Guarantee, the Subsidiary Guarantees or the JV Subsidiary Guarantees will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Issuer or any of the Parent Guarantor, the Subsidiary Guarantors or the JV Subsidiary Guarantors in the Indenture, or in any of the Notes or the Parent Guarantee, or if given, the Subsidiary Guarantees or the JV Subsidiary Guarantees, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Issuer, the Parent Guarantor or any of the Subsidiary Guarantors or the JV Subsidiary Guarantors, or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Parent Guarantee, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws.

Concerning the Trustee and the Agents

Citicorp International Limited has been appointed as Trustee under the Indenture. Citibank, N.A., London Branch has been appointed as note registrar (the "Note Registrar") and as paying and transfer agent (the "Paying Agent" and, together with the Note Registrar, the "Agents") with regard to the Notes. Except during the continuance of a Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture or the Notes, as the case may be, and no implied covenants or obligations will be read into the Indenture, the Notes and the agent appointment letter against the Trustee or the Agents. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture or the Notes as a prudent person would exercise under the circumstances in the conduct of such person's own affairs. Pursuant to the terms of the Indenture or the Notes (as the case may be), the Issuer will reimburse the Trustee for all expenses incurred. The Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless such Holder shall have offered to the Trustee indemnity and/or security and/or prefunding satisfactory to it against any loss, liability or expense.

The Trustee shall not be deemed or implied to have any duties or obligations under any documents to which it is a party. Furthermore, the Trustee shall not be deemed to have knowledge of any event unless it has been actually notified in writing of such event. In the exercise of its duties, the Trustee shall not be responsible for the verification of the accuracy or completeness of any certification or legal opinion submitted to it by the Issuer and is entitled to rely exclusively on, and take action based on the information contained in, the certification or legal opinion. Notwithstanding anything described herein, the Trustee has no duty to monitor the performance or compliance of the Issuer in the fulfillment of the Issuer's obligations under the Indenture.

The Trustee shall not be responsible for the performance by any other person appointed by the Issuer in relation to the Notes and, unless notified in writing to the contrary, shall assume that the same are being duly performed. The Trustee shall not be liable to any Holders or any other person for any action taken by the Holders or the Trustee in accordance with the instructions of the Holders.

The Trustee is entitled to rely on all instructions, notices, declarations and certifications received pursuant to the Indenture without investigating or being responsible for the accuracy, authenticity and validity of these instructions, notices, declarations and certifications.

Neither the Trustee nor the Agents will be responsible for making calculations or for verifying calculations performed by the Issuer or any other persons unless otherwise specified in the Indenture. The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Parent Guarantor, any of the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any, or the Issuer to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee and the Agents are permitted to engage in other transactions, including normal banking and trustee relationships, with the Issuer, the Parent Guarantor, any of the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any, and their respective Affiliates; provided, however, that if it acquires any conflicting interest that may have a materially prejudicial effect upon the Holders of the Notes, it must eliminate such conflict or resign. The Trustee and the Agents may have an interest in, may be providing, or may in the future provide financial or other services to other parties.

Book-Entry; Delivery and Form

The Notes will be represented by a global note in registered form without interest coupons attached (the "Global Note"). On the Original Issue Date, the Global Note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream. Any additional Notes will be represented by additional global notes in registered form without interest coupons attached (the "Additional Global Notes" and, together with the Global Note, the "Global Notes").

Global Notes

Ownership of beneficial interests in the Global Notes (the "book-entry interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under "– Individual Definitive Notes," the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Notes for all purposes under the Indenture and "holders" of book-entry interests will not be considered the owners or "Holders" of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book- entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Issuer, the Parent Guarantor, the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any, the Trustee or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

Payments on the Global Note

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and Additional Amounts) will be made to the Paying Agent in U.S. dollars. The Paying Agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of the Issuer, the Parent Guarantor and the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any, will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "– Additional Amounts."

Under the terms of the Indenture, the Issuer, the Parent Guarantor, the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any, and the Trustee will treat the registered holder of the Global Notes (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Parent Guarantor, the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any, the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or

- any action or failure to take action by Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided, however, that* no book-entry interest of US$200,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any

other action in respect of the Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Notes will be subject to the restrictions on transfer discussed under "Transfer Restrictions."

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book – entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the applicable settlement procedures. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream participants on the Business Day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

The Issuer understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Issuer, the Parent Guarantor, the Subsidiary Guarantors and JV Subsidiary Guarantors, if any, the Trustee or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Individual Definitive Notes

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the Issuer within 90 days, (2) either Euroclear or Clearstream, or a successor 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 to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with "– Events of Default" and the Issuer has received a written request from a Holder, the Issuer will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depositary or the Trustee, as the case may be, the Issuer will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the Note Registrar in sufficient quantities and authenticated by the Note Registrar for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the Note Registrar, through the relevant clearing system, with written instruction and other information required by the Issuer and the Note Registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or first-class mail (if intended for the Issuer, the Parent Guarantor, the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any) addressed at 131 Shishan Road, Haimen City, Jiangsu Province, PRC (Attention: Mr. Wang Weichong and Mr. Zhou Wei; Facsimile number: +86 513 8231 5099), (if intended for the Trustee), at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note Register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Issuer, the Parent Guarantor, each of the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any, will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, the Parent Guarantee, the Subsidiary Guarantees and the JV Subsidiary Guarantees, if any, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Law Debenture Corporate Services Inc. for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, the Parent Guarantee, the Subsidiary Guarantees and the JV Subsidiary Guarantees, if any, and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"Acquired Indebtedness" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"Adjusted Treasury Rate" means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities," for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after October 26, 2020, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case, calculated on the third Business Day immediately preceding the redemption date.

"Affiliate" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Applicable Premium" means with respect to any Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of 100% of the principal amount of such Note at the maturity date of the Notes, plus all required remaining scheduled interest payments due on such Note through the maturity date of the Notes (but excluding any accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

"Asset Acquisition" means (1) an Investment by the Parent Guarantor or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Parent Guarantor or any of its Restricted Subsidiaries; or

(2) an acquisition by the Parent Guarantor or any of its Restricted Subsidiaries of the property and assets of any Person other than the Parent Guarantor or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

"Asset Disposition" means the sale or other disposition by the Parent Guarantor or any of its Restricted Subsidiaries (other than to the Parent Guarantor or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Parent Guarantor or any of its Restricted Subsidiaries.

"Asset Sale" means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock by a Restricted Subsidiary) in one transaction or a series of related transactions by the Parent Guarantor or any of its Restricted Subsidiaries to any Person; *provided that* "Asset Sale" shall not include:

(1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;

(2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the "– Certain Covenants – Limitation on Restricted Payments" covenant;

(3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;

(4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Parent Guarantor or its Restricted Subsidiaries

(5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;

(6) a transaction covered by the covenant under the caption "– Consolidation, Merger and Sale of Assets;" and

(7) any sale, transfer or other disposition by the Parent Guarantor or any of its Restricted Subsidiaries, including the sale or issuance by the Parent Guarantor or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Parent Guarantor or any Restricted Subsidiary.

"Associate" means any corporation, association or other business entity primarily engaged in a Permitted Business, of which at least 20% of the Capital Stock and the Voting Stock is owned, directly or indirectly, by the Parent Guarantor or any Restricted Subsidiary.

"Attributable Indebtedness" means, in respect of a Sale and Leaseback Transaction, at the time of determination, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended.

"Average Life" means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

"Bank Deposit Secured Indebtedness" means Indebtedness of the Parent Guarantor or any Restricted Subsidiary that is secured by a pledge of one or more bank accounts or deposits of the Parent Guarantor or a Restricted Subsidiary and/or (ii) is guaranteed by a guarantee, letter of credit or similar instruments from or arranged by the Parent Guarantor or a Restricted Subsidiary and is used by the Parent Guarantor and its Restricted Subsidiaries to effect exchange of foreign currencies.

"Board of Directors" means the board of directors elected or appointed by the stockholders of the Parent Guarantor to manage the business of the Parent Guarantor or any committee of such board duly authorized to take the action purported to be taken by such committee.

"Board Resolution" means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

"Business Day" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

"Capitalized Lease" means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

"Capitalized Lease Obligations" means the discounted present value of the rental obligations under a Capitalized Lease.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible or exchangeable into such equity.

"Change of Control" means the occurrence of one or more of the following events:

(1) the merger, amalgamation or consolidation of the Parent Guarantor with or into another Person (other than one or more Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Parent Guarantor, or the sale of all or substantially all the assets of the Parent Guarantor to another Person (other than one or more Permitted Holders);

(2) the Permitted Holders are collectively the "beneficial owners" (as such term is used in Rule 13d-3 of the Exchange Act) of less than 40% of the total voting power of the Voting Stock of the Parent Guarantor;

(3) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Parent Guarantor greater than such total voting power held beneficially by the Permitted Holders;

(4) individuals who on the Original Issue Date constituted the Board of Directors of the Parent Guarantor, together with any new directors whose election to the Board of Directors was approved by a vote of at least two-thirds of the directors then still in office who were either directors on the Original Issue Date or whose election was previously so approved, cease for any reason to constitute a majority of the Board of Directors of the Parent Guarantor then in office; or

(5) the adoption of a plan relating to the liquidation or dissolution of the Parent Guarantor.

"Change of Control Triggering Event" means the occurrence of both a Change of Control and, *provided that* the Notes are rated by at least two Rating Agencies, a Rating Decline.

"Clearstream" means Clearstream Banking S.A.

"Commodity Hedging Agreement" means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to protect against fluctuations in commodity prices.

"Common Stock" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

"Comparable Treasury Issue" means the U.S. Treasury security having a maturity comparable to the remaining term of the Notes to be redeemed on October 26, 2020 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a comparable maturity to October 26, 2020.

"Comparable Treasury Price" means, with respect to any redemption date, if clause (ii) of the definition of the Adjusted Treasury Rate is applicable, (a) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if fewer than three such Reference Treasury Dealer Quotations are available, the average of all such quotations.

"Consolidated Assets" means, with respect to any Restricted Subsidiary at any date of determination, the Parent Guarantor and its Restricted Subsidiaries' proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter period for which consolidated financial statements of the Parent Guarantor and its Restricted Subsidiaries (which the Parent Guarantor shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements).

"Consolidated EBITDA" means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense,

(2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets), and

(3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period), less all non-cash items increasing Consolidated Net Income,

all as determined on a consolidated basis for the Parent Guarantor and its Restricted Subsidiaries in conformity with GAAP; *provided that* (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Parent Guarantor or any of its Restricted Subsidiaries and (2) in the case of any PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

"Consolidated Fixed Charges" means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Parent Guarantor or any Restricted Subsidiary held by Persons other than the Parent Guarantor or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Parent Guarantor's Capital Stock (other than Disqualified Stock).

"Consolidated Interest Expense" means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Parent Guarantor and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Parent Guarantor and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is guaranteed by, or secured by a Lien on any asset of, the Parent Guarantor or any Restricted Subsidiary, and (7) any capitalized interest, *provided that* interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a *pro forma* basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

"Consolidated Net Income" means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided that* the following items shall be excluded in computing Consolidated Net Income (without duplication):

(1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:

    (a) subject to the exclusion contained in clause (5) below, the Parent Guarantor's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Parent Guarantor or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

    (b) the Parent Guarantor's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Parent Guarantor or Restricted Subsidiaries;

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Parent Guarantor or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Parent Guarantor or any of its Restricted Subsidiaries;

(3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Parent Guarantor or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Parent Guarantor realized on sales of Capital Stock of the Parent Guarantor or other Restricted Subsidiaries);

(6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and

(7) any net after-tax extraordinary or non-recurring gains.

"Consolidated Net Worth" means, at any date of determination, stockholders' equity as set forth on the most recently available quarterly, semi-annual or annual consolidated balance sheet of the Parent Guarantor and its Restricted Subsidiaries prepared in accordance with GAAP, plus, to the extent not included, any Preferred Stock of the Parent Guarantor, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Parent Guarantor or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

"Credit Facilities" means one or more of the facilities or arrangements with one or more banks or other lenders or institutions providing for revolving credit loans, term loans, receivables or financings (including without limitation through the sale of receivables or assets to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or assets or the creation of any Liens in respect of such receivables or assets in favor of such institutions), letters of credit or other Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledge agreements, security agreements and collateral documents, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded, refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"Currency Agreement" means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"Disqualified Stock" means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the date that is 183 days after the Stated Maturity of the Notes; *provided that* any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the date that is 183 days after the Stated Maturity of the Notes shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the "– Certain Covenants – Limitation on Asset Sales" and "– Repurchase of Notes upon a Change of Control Triggering Event" covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Issuer's or the Parent Guarantor's repurchase of such Notes as are required to be repurchased pursuant to the "– Certain Covenants – Limitation on Asset Sales" and "– Repurchase of Notes upon a Change of Control Triggering Event" covenants.

"Dollar Equivalent" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

"Entrusted Loans" means borrowings by a PRC Restricted Subsidiary from a bank that are secured by a pledge of deposits made by another PRC Restricted Subsidiary to the lending bank as security for such borrowings, *provided that* such borrowings are not reflected on the consolidated balance sheet of the Parent Guarantor.

"Equity Offering" means (i) any underwritten primary public offering or private placement of Common Stock of the Parent Guarantor after the Original Issue Date or (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Parent Guarantor beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a Person controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Parent Guarantor at the same price as the public offering or private placing price; *provided that* any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) result in the aggregate gross cash proceeds received by the Parent Guarantor being no less than US$20 million (or the Dollar Equivalent thereof).

"Euroclear" means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

"Exempted Subsidiary" means any Restricted Subsidiary (including, for the avoidance of doubt, any Restricted Subsidiary that is not Wholly Owned by the Parent Guarantor) organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation from providing a Subsidiary Guarantee or a JV Subsidiary Guarantee; *provided* that (x) the Parent Guarantor shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee or JV Subsidiary Guarantee, to the

extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Parent Guarantor having obtained such applicable approval or registration.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

"Fair Market Value" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of recognized international standing appointed by the Parent Guarantor.

"Finance Subsidiary" means a Subsidiary of the Parent Guarantor or another Finance Subsidiary (including the Issuer) (i) that is a Restricted Subsidiary and whose operations are comprised of Incurring Indebtedness to Persons other than the Parent Guarantor or any Restricted Subsidiary from time to time to finance the operations of the Parent Guarantor and/or its Restricted Subsidiaries, (ii) that has not lent the proceeds of any Finance Subsidiary Indebtedness to any Person other than the Parent Guarantor, any Subsidiary Guarantor or the Issuer and (iii) which conducts no business and owns no material assets other than any equity interests in a Finance Subsidiary or intercompany Indebtedness Incurred in connection with the Indebtedness described in clauses (i) and (ii).

"Finance Subsidiary Indebtedness" means Indebtedness of a Finance Subsidiary that is guaranteed by one or more of (i) the Parent Guarantor or (ii) any Subsidiary Guarantor and JV Subsidiary Guarantor, as the case may be; *provided that* no Non-Guarantor Subsidiary shall provide any guarantee to or be an obligor under such Indebtedness.

"Fitch" means Fitch Ratings Ltd., a subsidiary of the Fitch Group, a jointly owned subsidiary of Fimalae, S.A. and Hearst Corporation, and its successors.

"Fixed Charge Coverage Ratio" means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarter periods prior to such Transaction Date for which consolidated financial statements of the Parent Guarantor (which the Parent Guarantor shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the "Four Quarter Period") to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

(a) *pro forma* effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the "Reference Period") commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided that*, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Parent Guarantor or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness, Disqualified Stock or Preferred Stock;

(b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a *pro forma* basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest

Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(c) *pro forma* effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(d) *pro forma* effect shall be given to Asset Dispositions and Asset Acquisitions (including giving *pro forma* effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(e) *pro forma* effect shall be given to asset dispositions and asset acquisitions (including giving *pro forma* effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or consolidated into the Parent Guarantor or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this sentence requires that *pro forma* effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such *pro forma* calculation shall be based upon the four full fiscal quarter periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

"GAAP" means generally accepted accounting principles in PRC as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

"guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), *provided that* the term "guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.

"Hedging Obligation" of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

"Holder" means the Person in whose name a Note is registered in the Note register.

"Incur" means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided that* (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of

original issue discount, the accrual of interest, the accrual of dividends, the payment of interest in the form of additional Indebtedness and the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock shall not be considered an Incurrence of Indebtedness. The terms "Incurrence," "Incurred" and "Incurring" have meanings correlative with the foregoing.

"Indebtedness" means, with respect to any Person at any date of determination (without duplication):

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;

(5) all Capitalized Lease Obligations and Attributable Indebtedness;

(6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided that* the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;

(7) all Indebtedness of other Persons guaranteed by such Person to the extent such Indebtedness is guaranteed by such Person;

(8) to the extent not otherwise included in this definition, Hedging Obligations;

(9) any Preferred Stock issued by any Person that is a Restricted Subsidiary and Disqualified Stock issued by any Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, deferred payment obligation, pre-sale receipts in advance from customers, performance obligations or similar obligations (or any guarantee thereof) Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business or Entrusted Loans; *provided that* such Indebtedness is not reflected as borrowings or indebtedness on the consolidated balance sheet of the Parent Guarantor or any Restricted Subsidiary (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided that*

(1) the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,

(2) money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest, and

(3) the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to clause (2)(f) under the "Limitation on Indebtedness and Preferred Stock" covenant, or (ii) equal to the net amount payable by such Person if such Hedging Obligation terminated at that time if not Incurred pursuant to such paragraph.

"Independent Third Party" means any Person that is not an Affiliate of the Parent Guarantor.

"Interest Rate Agreement" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

"Investment" means:

(1) any direct or indirect advance, loan or other extension of credit to another Person;

(2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);

(3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or

(4) any guarantee of any obligation of another Person.

For the purposes of the provisions of the "Designation of Restricted and Unrestricted Subsidiaries" and "Limitation on Restricted Payments" covenants: (1) the Parent Guarantor will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Parent Guarantor's proportional interest in the Fair Market Value of the assets (net of the Parent Guarantor's proportionate interest in the liabilities owed to any Person other than the Parent Guarantor or a Restricted Subsidiary and that are not guaranteed by the Parent Guarantor or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, (2) if the Parent Guarantor or any Restricted Subsidiary sells or otherwise disposes of any Capital Stock of any direct or indirect Restricted Subsidiary of the Parent Guarantor such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary, the Parent Guarantor will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Capital Stock of such Person not sold or disposed of and (3) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

"Investment Grade" means a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest Rating Categories, by S&P or any of its successors or assigns, a rating of "Aaa," or "Aa," "A" or "Baa," as modified by a "1," "2" or "3" indication, or an equivalent rating representing one of the four highest Rating Categories, by Moody's, or any of its successors or assigns, or a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by Fitch or any of its successors or assigns, or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Parent Guarantor as having been substituted for S&P, Moody's or Fitch or two or three of them, as the case may be.

"Jointly Controlled Entity" means any corporation, association or other business entity of which 20% or more of the voting power of the outstanding Capital Stock is owned, directly or indirectly, by the Parent Guarantor or a Restricted Subsidiary and such corporation, association or other business entity is treated as a "jointly controlled entity" in accordance with GAAP and is primarily engaged in a Permitted Business, and such Jointly Controlled Entity's Subsidiaries.

"JV Entitlement Amount" means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Guarantor and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its subsidiaries) as of the date of the last fiscal year end of the Parent Guarantor; and (ii) a percentage equal to the direct equity ownership percentage of the Parent Guarantor and/or its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

"JV Subsidiary Guarantee" means any guarantee of the obligations of the Issuer under the Indenture and the Notes by any JV Subsidiary Guarantor under the caption "– The Subsidiary Guarantees and the JV Subsidiary Guarantees."

"JV Subsidiary Guarantor" means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"Listed Subsidiary" means any Restricted Subsidiary any class of the Capital Stock of which is listed on a Qualified Exchange and any Subsidiary of a Listed Subsidiary;

"Moody's" means Moody's Investors Service, Inc. and its successors.

"NEEQ" means the National Equity Exchange and Quotations Co., Ltd.

"Net Cash Proceeds" means:

(1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

    (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;

    (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Parent Guarantor and its Restricted Subsidiaries, taken as a whole;

    (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;

    (d) appropriate amounts to be provided by the Parent Guarantor or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities,

liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and

(2) with respect to any issuance or sale of Capital Stock or securities convertible or exchangeable into Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Non-Guarantor Subsidiaries" has the meaning assigned to such term under the caption "– The Subsidiary Guarantees and JV Subsidiary Guarantees."

"Note Register" means the register of Noteholders which the Parent Guarantor will procure to be kept by the Note Registrar.

"Offer to Purchase" means an offer to purchase Notes by the Parent Guarantor or the Issuer, as the case may be, from the Holders commenced by the Parent Guarantor or the Issuer, as the case may be, mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note Register stating:

(1) the provision in the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a *pro rata* basis;

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Offer to Purchase Payment Date");

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Parent Guarantor or the Issuer, as the case may be, defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided that* each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000 in excess thereof.

One Business Day prior to the Offer to Purchase Payment Date, the Parent Guarantor or the Issuer, as the case may be, shall deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted. On the Offer to Purchase Payment Date, the Parent Guarantor or the Issuer, as the case may be, shall (a) accept for payment on a *pro rata* basis Notes or portions thereof tendered pursuant to an Offer to Purchase and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Parent Guarantor or the Issuer, as the case may be. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall as soon as reasonably practicable authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided that* each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000 in excess thereof. The Parent Guarantor or the Issuer, as the case may be, will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Parent Guarantor or the Issuer, as the case may be, will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Issuer is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Issuer and the Parent Guarantors will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Issuer will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Issuer and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Parent Guarantor and its Subsidiaries which the Parent Guarantor in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Parent Guarantor or the Issuer, as the case may be, to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"Offering Memorandum" means the Issuer's offering memorandum for the offer and sale of Notes dated October 19, 2017.

"Officer" means one of the executive officers of the Parent Guarantor, or, in the case of the Issuer, a Subsidiary Guarantor or a JV Subsidiary Guarantor, one of the directors or officers of the Issuer or such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

"Officers' Certificate" means a certificate signed by two Officers; *provided, however*, with respect to the Officers' Certificate required to be delivered by the Issuer or any Subsidiary Guarantor under the Indenture, Officers' Certificate means a certificate signed by one Officer if there is only one Officer in the Issuer or such Subsidiary Guarantor at the time such certificate is required to be delivered.

"Opinion of Counsel" means a written opinion from legal counsel who is reasonably acceptable to the Trustee.

"Original Issue Date" means the date on which the Notes are originally issued under the Indenture.

"Parent Guarantee" means any guarantee of the obligations of the Issuer under the Indenture and the Notes by the Parent Guarantor.

"Pari Passu Guarantee" means a guarantee by the Parent Guarantor, any Subsidiary Guarantor or JV Subsidiary Guarantor of Indebtedness of the Parent Guarantor, a Subsidiary Guarantor or a JV Subsidiary Guarantor, or the Issuer (including the Additional Notes), as the case may be; *provided that* (1) the Parent Guarantor, such Subsidiary Guarantor or JV Subsidiary Guarantor, or the Issuer was permitted to Incur such Indebtedness under the covenant under the caption "– Certain Covenants – Limitation on Indebtedness and Preferred Stock" and (2) such guarantee ranks *pari passu* with any outstanding Parent Guarantee or Subsidiary Guarantee of such Subsidiary Guarantor, or JV Subsidiary Guarantee of such Subsidiary Guarantor, as the case may be.

"Permitted Businesses" means any business which is the same as or related, ancillary or complementary to any of the businesses of the Parent Guarantor and its Restricted Subsidiaries as described in the Offering Memorandum on the Original Issue Date.

"Permitted Holders" means any or all of the following:

(1) Huang Yunhui;

(2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Person specified in clause (1); and

(3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are at least majority-owned by one or more of the Persons specified in clauses (1) and (2).

"Permitted Investment" means:

(1) any Investment in the Parent Guarantor or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or will be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Parent Guarantor or a Restricted Subsidiary that is primarily engaged in a Permitted Business;

(2) Temporary Cash Investments;

(3) payroll, travel and similar advances made in the ordinary course of business to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;

(4) stock, obligations or securities received in satisfaction of judgments;

(5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

(6) any Investment pursuant to a Hedging Obligation entered into in the ordinary course of business (and not for speculation) and designed solely to protect the Parent Guarantor or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;

(7) receivables owing to the Parent Guarantor or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(8) Investments made by the Parent Guarantor or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption "– Certain Covenants – Limitation on Asset Sales";

(9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "– Certain Covenants – Limitation on Liens";

(10) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;

(11) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Parent Guarantor's consolidated balance sheet;

(12) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims, unemployment insurance or other types of social security and other purposes specified by statute or regulation from time to time in the ordinary course of business;

(13) repurchases or redemption of the Notes;

(14) Investments in existence on the Original Issue Date;

(15) guarantees permitted under clause (2) of the covenant under "– Limitation on Indebtedness and Preferred Stock";

(16) any Investment (including without limitation any deemed Investment upon the sale of Capital Stock of a Restricted Subsidiary or the designation of a Restricted Subsidiary as an Unrestricted Subsidiary) by the Parent Guarantor or any Restricted Subsidiary in any Person (excluding the Investments permitted to be made or incurred under other clauses of this definition of "Permitted Investment"); *provided that* the following conditions are satisfied:

(i) the aggregate of all Investments made under this clause (16) since the Original Issue Date shall not exceed in aggregate an amount equal to 10% of Total Assets, *provided* that such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (16) since the Original Issue Date resulting from:

(A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause (16), in each case to the Parent Guarantor or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),

(B) the unconditional release of the Parent Guarantee provided by the Parent Guarantor after the Original Issue Date under this clause of an obligation of any such Person,

(C) to the extent that an Investment made after the Original Issue Date under this clause (16) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, not to exceed, in each case,

the amount of Investments made by the Parent Guarantor or a Restricted Subsidiary after the Original Issue Date in any such Person pursuant to this clause (16), or

(D) redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries;

(ii) none of the other shareholders or partners in such Person in which such Investment was made pursuant to this clause (16) is a Person described in clauses (x) or (y) of the first paragraph of the covenant under the caption "– Certain Covenants – Limitation on Transactions with Shareholders and Affiliates" (other than by reason of such shareholder or partner being an officer or director of the Parent Guarantor or a Restricted Subsidiary or by reason of being a Restricted Subsidiary), except to the extent that such Investment (x) would have satisfied the requirements of the covenant under the caption "– Certain Covenants – Limitation on Transactions with Shareholders and Affiliates" as if such Investment were an Affiliate Transaction and (y) would otherwise be permitted under applicable laws, regulations or the requirements of the NEEQ or the Shanghai Stock Exchange; and

(iii) no Default has occurred and is continuing or would occur as a result of such Investment.

For the avoidance of doubt, the value of each Investment made pursuant to this clause shall be valued at the time such Investment is made.

"Permitted Liens" means:

(1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds, utility services, developer's or other obligations to make site or off-site improvement and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

(4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Parent Guarantor and its Restricted Subsidiaries, taken as a whole;

(5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Parent Guarantor or its Restricted Subsidiaries relating to such property or assets;

(6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided that* such Liens do not extend to or cover any property or assets of the Parent Guarantor or any

Restricted Subsidiary other than the property or assets acquired; *provided further that* such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;

(7) Liens in favor of the Parent Guarantor or any Restricted Subsidiary;

(8) Liens arising from the attachment or rendering of a final judgment or order against the Parent Guarantor or any Restricted Subsidiary that does not give rise to an Event of Default;

(9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;

(10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (f) of the second paragraph of the covenant under the caption ''– Certain Covenants – Limitation on Indebtedness and Preferred Stock'';

(11) Liens existing on the Original Issue Date;

(12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (e) of the second paragraph of the covenant described under the caption entitled ''– Certain Covenants – Limitation on Indebtedness and Preferred Stock''; *provided that* such Liens do not extend to or cover any property or assets of the Parent Guarantor or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;

(13) any interest or title of a lessor in the property subject to any operating lease;

(14) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Parent Guarantor or any Restricted Subsidiary;

(15) Liens on assets or property of the Parent Guarantor or any Restricted Subsidiary for the purpose of securing any Capitalized Lease Obligation or purchase money Indebtedness permitted to be Incurred under clause (2)(l) of the covenant described under ''–Certain Covenants–Limitation on Indebtedness and Preferred Stock''; *provided, however, that* (i) the Liens do not extend to any property or assets which is not subject to such Capitalized Lease Obligation or purchase money Indebtedness and cover only the equipment, property or assets acquired, developed, constructed or improved with such Indebtedness and (ii) is created prior to, at the time of or within 180 days of such acquisition, development, construction or improvement; *provided further that*, in the case of clause (i) such Lien may cover other property or assets (instead of or in addition to such item of equipment, property or asset) if the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Parent Guarantor (which may be internal consolidated financial statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (15) does not exceed 130% of the aggregate principal amount or aggregate committed amount of Indebtedness secured by such Liens;

(16) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims, unemployment insurance or other types of social security and other purposes specified by statute or regulations made in the ordinary course of business and not securing Indebtedness of the Parent Guarantor or any Restricted Subsidiary;

(17) Liens on current assets securing Indebtedness which is permitted to be Incurred under clause (2)(m) of the covenant described under "– Certain Covenants – Limitation on Indebtedness and Preferred Stock;"

(18) Liens on deposits securing letters of credit, trade guarantees or similar instruments (and reimbursement obligations relating thereto) incurred in the ordinary course;

(19) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(20) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(21) Liens Incurred on deposits made to secure Entrusted Loans;

(22) Liens *provided that* the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (22) does not exceed US$10 million;

(23) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(p) of the covenant described under "– Certain Covenants – Limitation on Indebtedness and Preferred Stock;"

(24) Liens on current assets securing Indebtedness under Credit Facilities which is permitted to be Incurred under clause (2)(q) of the covenant described under "– Certain Covenants – Limitation on Indebtedness and Preferred Stock;"

(25) Liens granted by the Parent Guarantor or a PRC Restricted Subsidiary in favor of a Trust Company Investor in respect of, and to secure the Indebtedness or Preferred Stock permitted to be Incurred or issued under clause (2)(r) of the covenant described under "– Certain Covenants – Limitation on Indebtedness and Preferred Stock;"

(26) Liens Incurred on bank accounts made to secure Bank Deposit Secured Indebtedness permitted to be Incurred under clause (2)(s) of the covenant described under "– Certain Covenants – Limitation on Indebtedness and Preferred Stock;"

(27) Liens placed on the Capital Stock of any non-Wholly Owned Subsidiary or joint venture in the form of a transfer restriction, purchase option, call or similar right of a third party joint venture partner.

"Permitted Subsidiary Indebtedness" means Indebtedness (other than Finance Subsidiary Indebtedness) of, and all Preferred Stock issued by, the Non-Guarantor Subsidiaries (other than any Finance Subsidiary) taken as a whole; *provided that*, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness or issuance of such Preferred Stock, as the case may be (excluding any Indebtedness of any Non-Guarantor Subsidiary permitted under clauses (2)(a), (2)(b), (2)(d), (2)(f) and (2)(m) of the covenant described under "– Certain Covenants – Limitation on Indebtedness and Preferred Stock") does not exceed an amount equal to 15% of Total Assets.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"PRC" means the People's Republic of China, excluding, solely for the purposes of this definition, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan.

"PRC CJV" means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on October 13, 2000) and the Detailed Rules for the Implementation of the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995, as such laws may be amended.

"PRC CJV Partner" means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Parent Guarantor or any Restricted Subsidiary.

"PRC Restricted Subsidiary" means a Restricted Subsidiary organized under the laws of the PRC.

"Preferred Stock" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"Qualified Exchange" means (1) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act), or (2) the Shenzhen Stock Exchange, the Shanghai Stock Exchange, the New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Singapore Exchange Securities Trading Limited or the Nasdaq Stock Market.

"Rating Agencies" means (1) S&P, (2) Moody's and (3) Fitch, *provided that* if S&P, Moody's or Fitch, two of any of the three or all three of them shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Parent Guarantor, which shall be substituted for S&P, Moody's or Fitch, two of any of the three or all three of them, as the case may be.

"Rating Category" means (1) with respect to S&P, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); (2) with respect to Moody's, any of the following categories: "Ba," "B," "Caa," "Ca," "C" and "D" (or equivalent successor categories); (3) with respect to Fitch, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); and (4) the equivalent of any such category of S&P, Moody's or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "-" for S&P; "1," "2" and "3" for Moody's; "+" and "-" for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from "BB+" to "BB," as well as from "BB-" to "B+," will constitute a decrease of one gradation).

"Rating Date" means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Parent Guarantor or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under the caption "– Consolidation, Merger and Sale of Assets," that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

"Rating Decline" means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Parent Guarantor or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (2) in connection with actions contemplated under the caption "– Consolidation, Merger and Sale of Assets," the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(a) in the event the Notes are rated by all three of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of the three Rating Agencies shall be below Investment Grade;

(b) in the event the Notes are rated by any two, but not all three, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by either of such two Rating Agencies shall be below Investment Grade;

(c) in the event the Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(d) in the event the Notes are rated by three or less than three Rating Agencies and are rated below Investment Grade by all such Rating Agencies on the Rating Date, the rating of the Notes by any Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"Reference Treasury Dealer" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Issuer in good faith.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

"Registration Business Day" means a day other than a Saturday, Sunday or a day on which the Haimen Branch is authorized or obligated by law or executive order to remain closed.

"Replacement Assets" means, on any date, (1) properties or assets that replace the properties and assets that were the subject of such Asset Sale that are used in a Permitted Business or (2) property or assets (other than current assets) that are used in a Permitted Business, including the Capital Stock of any Person holding such property or assets that is primarily engaged in a Permitted Business and is or will become, upon the acquisition by the Parent Guarantor or any of its Restricted Subsidiaries of such Capital Stock, a Restricted Subsidiary.

"Restricted Subsidiary" means any Subsidiary of the Parent Guarantor (including the Issuer) other than an Unrestricted Subsidiary.

"S&P" means Standard & Poor's Ratings Services and its affiliates.

"SAFE" means the State Administration of Foreign Exchange of the PRC.

"Sale and Leaseback Transaction" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Parent Guarantor or any Restricted Subsidiary transfers such property to another Person and the Parent Guarantor or any Restricted Subsidiary leases it from such Person.

"Securities Act" means the U.S. Securities Act of 1933, as amended.

"Senior Indebtedness" of the Parent Guarantor or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Parent Guarantor or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Issuer, the Notes or (b) in respect of the Parent Guarantor, a Subsidiary Guarantor or a JV Subsidiary Guarantor, the Parent Guarantee, its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be; *provided that* Senior Indebtedness does not include (1) any obligation to the Parent Guarantor or any Restricted Subsidiary, (2) Trade Payables or (3) Indebtedness Incurred in violation of the Indenture.

"Significant Restricted Subsidiary" means a Restricted Subsidiary, or group of Restricted Subsidiaries, that would, when taken together, be a "significant subsidiary" within the meaning of the definition of "significant subsidiary" in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Original Issue Date; *provided that* in each instance in such definition in which the term "10 percent" is used, the term "5 percent" shall be substituted therefor.

"Staged Acquisition Agreement" means an agreement between the Parent Guarantor or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Parent Guarantor or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Parent Guarantor or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one instalment over a period of time.

"Stated Maturity" means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

"Subordinated Indebtedness" means any Indebtedness of the Issuer, the Parent Guarantor, any Subsidiary Guarantor or any JV Subsidiary Guarantee, which is contractually subordinated or junior in right of payment to the Notes, the Parent Guarantee, or the Subsidiary Guarantee and the JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

"Subordinated Shareholder Loan" means any loan to the Parent Guarantor from Permitted Holders which (i) is expressly subordinated in right of payment to the Notes, the Parent Guarantee, the Subsidiary Guarantee or the JV Subsidiary Guarantee pursuant to a written agreement to such effect, and (ii) does not provide any cash payment of interest.

"Subsidiary" means, with respect to any Person, any corporation, association or other business entity (l) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (2) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is "controlled" and consolidated by such Person in accordance with GAAP; *provided, however, that* with respect to

clause (2) the occurrence of any event as a result of which such corporation, association or other business entity ceases to be "controlled" by such Person under GAAP and to constitute a Subsidiary of such Person shall be deemed to be an Investment by such Person in such entity, which shall be made in compliance with the covenant under the caption "– Certain Covenants – Limitation on Restricted Payments."

"Subsidiary Guarantee" means any guarantee of the obligations of the Issuer under the Indenture and the Notes by any Subsidiary Guarantor.

"Subsidiary Guarantor" means any Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided that* Subsidiary Guarantor will not include any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or any JV Subsidiary Guarantor.

"Temporary Cash Investment" means any of the following:

(1) direct obligations of the United States of America, any state of the European Economic Area, the People's Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally guaranteed by the United States of America, any state of the European Economic Area, the People's Republic of China and Hong Kong or any agency of any of the foregoing, in each case maturing within one year;

(2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the U.S. Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

(4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Parent Guarantor) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P;

(5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P or Moody's;

(6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;

(7) (i) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with any banks or financial institutions organized under the laws of the PRC, Hong Kong, United Kingdom, Singapore, Luxembourg or United States of America, or (ii) any financial products for which any such bank or financial institutions guarantees or

undertake for the return of at least 100% of the principal amount thereof, *provided that* in the case of (ii) such deposits do not exceed US$10.0 million (or the Dollar Equivalent thereof) with any single bank or US$30.0 million (or the Dollar Equivalent thereof) in the aggregate, at any date of determination thereafter; and

(8) investment products that are principal protected with any bank or financial institution organized under the laws of the PRC or Hong Kong if held to maturity (which shall not be more than one year) and can be withdrawn at any time with no more than six months' notice.

"Total Assets" means, as of any date, the total consolidated assets of the Parent Guarantor and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Parent Guarantor (which the Parent Guarantor shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements); *provided* that, (1) only with respect to clause (2)(l) of "– Certain Covenants – Limitation on Indebtedness and Preferred Stock" covenant and the definition of "Permitted Subsidiary Indebtedness," Total Assets shall be calculated after giving *pro forma* effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, in each case as of such date, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Parent Guarantor or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness; (2) only with respect to clause (2)(n) of "– Certain Covenants – Limitation on Indebtedness and Preferred Stock" covenant, with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving *pro forma* effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Parent Guarantor as a result of such Person becoming a Restricted Subsidiary; and (3) only with respect to clauses (2)(l), (2)(q), (2)(r), (2)(s) and (2)(t) of "– Certain Covenants – Limitation on Indebtedness and Preferred Stock" covenant, Total Assets as of such last day shall be calculated to give effect to the appraised value of assets classified under the line item "investment properties" appearing under the consolidated balance sheet of such financial statements, to the extent that (a) such appraised value shall be determined by a recognized property valuer that shall be an Independent Third Party, (b) such appraisal shall be made no earlier than six months prior to the date of such last day and (c) such appraisal shall be based on assumptions and estimates that are reasonable and customary, consistent with market practice for real estate developers operating in a similar geographical location, based upon an opinion from an accounting or investment banking firm of recognized standing.

"Trade Payables" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

"Transaction Date" means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"Trust Company Investor" means an Independent Third Party that is a financial institution, an insurance or a trust company organized under the laws of the PRC, or an Affiliate thereof, that Invests in any Capital Stock of a PRC Restricted Subsidiary.

"Treasury Constant Maturities," for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after October 26, 2020, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during

the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

"Unrestricted Subsidiary" means (1) any Subsidiary of the Parent Guarantor that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

"U.S. Government Obligations" means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided that* (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"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.

"Wholly Owned" means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided that* Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary.

TAXATION

The following summary of certain BVI, PRC and HK tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

BVI Taxation

The Issuer is exempt from all provisions of the Income Tax Ordinance of the BVI. Payments of principal, premium or interest in respect of the Notes to persons who are not resident in the BVI are not subject to BVI tax or withholding tax.

Capital gains realized with respect to the Notes by persons who are not persons resident in the BVI are also exempt from all provisions of the Income Tax Ordinance of the BVI.

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

All instruments relating to transactions in respect of the Notes are exempt from payment of stamp duty in the BVI. This assumes that the Issuer does not hold an interest (whether direct or indirect) in real estate in the BVI.

PRC Taxation

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes to non-resident holders is based upon applicable laws, rules and regulations in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Income Tax on Interest and Capital Gains

Under the PRC Enterprise Income Tax Law and the related regulations, if the Issuer is treated as a PRC "resident enterprise" or in the event that the Parent Guarantor is required to perform its obligations under the Parent Guarantee, PRC income tax at a rate of 10% (or a lower treaty rate, if applicable) would be required to be withheld from interest payments to holders that are "non-resident enterprises" and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant interest income is not effectively connected with such establishment or place of business, if such interest is treated as income from sources within the PRC. The PRC Individual Income Tax Law also imposes a withholding tax at the rate of 20% (or a lower treaty rate, if applicable) on interest from PRC source paid to non-resident individual holders. In addition, any gain realized on the transfer of the Notes by such holders would be subject to PRC income tax at the rate of 10% for non-resident enterprise holders or 20% for non-resident individual holders (or a lower treaty rate, if applicable) if such gain is regarded as income derived from sources within the PRC. The Company currently takes the position that the Issuer is not a PRC resident enterprise. However, the Company has been advised by its PRC legal advisor that there is uncertainty as to whether the Issuer

will be treated as a PRC "resident enterprise" for the purpose of the PRC Enterprise Income Tax Law. If the Issuer is treated as a PRC "resident enterprise", the interest the Issuer pays in respect of the Notes, and the gain any non-resident holder may realize from the transfer of the Notes, may be treated as income derived from sources within the PRC and be subject to the PRC tax described above, which may materially and adversely affect the value of investment in the Notes.

Value Added Tax

On March 23, 2016, the MOF and the SAT issued Circular 36) which confirms that business tax was replaced by value-added tax from May 1, 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, value-added tax.

According to Circular 36 Notice, the entities and individuals providing the services within the PRC shall be subject to VAT. The services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. The services subject to value-added tax include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Notes is likely to be treated as the holders of the Notes providing loans to the Issuer, which thus shall be regarded as financial services subject to the value-added tax.

It is not clear from the interpretation of Circular 36 if the provision of loans to the Issuer could be considered services provided within the PRC, which could be regarded as the provision of financial services that could be subject to VAT. Furthermore, there is no assurance that the Issuer will not be treated as "resident enterprises" under the EIT Law. PRC tax authorities could take the view that the holders of the Notes are providing loans within the PRC because the Issuer is treated as a PRC tax resident. In such case, the issuance of the Notes could be regarded as the provision of financial services within the PRC that is subject to VAT.

If the Issuer is treated as a PRC tax resident and if PRC tax authorities take the view that the holders of the Notes are providing loans within the PRC, or if the interest component of the amount payable by the Parent Guarantor to the holders of the Notes under the Parent Guarantee is viewed as interest income arising within the territory of the PRC, the holders of the Notes shall be subject to the value-added tax at the rate of 6% when receiving the interest payments under the Notes. In addition, the holders of the Notes shall be subject to the local levies at approximately 12% of the value-added tax payment and consequently, the combined rate of value-added tax and local levies would be around 6.72%. Given that the Issuer or the Parent Guarantor pays interest income to the holders of the Notes who are located outside of the PRC, the Issuer or the Parent Guarantor, acting as the obligatory withholder in accordance with applicable law, shall withhold the value-added tax and local levies from the payment of interest income to holders of the Notes who are located outside of the PRC.

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

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

Stamp Duty

No PRC stamp tax will be chargeable upon the issue or transfer of a Note (for so long as the register of holders of the Notes is maintained outside the PRC and the sale of the Notes is made outside of the PRC, as is expected to be the case).

Hong Kong Taxation

Withholding tax

No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Notes) or distributions in respect of the Notes.

Profits Tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance"), as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposition or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest payments on the Notes will be subject to Hong Kong profits tax where such payments have a Hong Kong source, and are received by or accrue 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
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on trade, profession or business in Hong Kong and such distributions is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposition of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note (for so long as the register of holders of the Notes is maintained outside Hong Kong).

PLAN OF DISTRIBUTION

Bank of China Limited, CCB International Capital Limited, Guotai Junan Securities (Hong Kong) Limited, China International Capital Corporation Hong Kong Securities Limited, China CITIC Bank International Limited, CMBC Securities Company Limited, Société Générale and SPDB International Capital Limited are acting as joint bookrunners of the offering of, and as Initial Purchasers, of the Notes and as Initial Purchasers named below. Subject to the terms and conditions stated in the purchase agreement dated October 19, 2017, each Initial Purchaser named below has severally agreed to purchase, and the Group has agreed to sell to such Initial Purchaser, the principal amount of the Notes set forth opposite such Initial Purchaser's name.

Initial Purchasers	Principal Amount of the Notes
Bank of China Limited	US$120,000,000
CCB International Capital Limited	US$60,000,000
Guotai Junan Securities (Hong Kong) Limited	US$60,000,000
China International Capital Corporation Hong Kong Securities Limited	US$12,000,000
China CITIC Bank International Limited	US$12,000,000
CMBC Securities Company Limited	US$12,000,000
Société Générale	US$12,000,000
SPDB International Capital Limited	US$12,000,000
Total	**US$300,000,000**

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The purchase agreement may be terminated by the Initial Purchasers in certain circumstances prior to the delivery and payment of the Notes.

The Initial Purchasers propose to resell the Notes at the offering price set forth on the cover page of this offering memorandum in reliance on Regulation S. The Group will pay the Initial Purchasers customary fees and commissions in connection with the offering and will reimburse the Initial Purchasers for certain expenses incurred in connection with the offering. In addition, the Group has agreed with the Initial Purchasers that certain private banks will be paid a commission in connection with the purchase of the Notes by their private bank clients.

The Group has agreed that, for a period of 30 days from the date of this offering memorandum, it will not, without the prior written consent of the Initial Purchasers, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or announce the offering of, any debt securities issued or guaranteed by the Group. The Initial Purchasers in their sole discretion may consent to the offering and sales of debt securities by the Group at any time without notice.

Application has been made for the listing and quotation of the Notes on the Official List of the SGX. However, the Group cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that there will be an active trading market for the Notes. The Initial Purchasers have advised the Group that they currently intend to make or continue to make a market in the Notes. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, the Group cannot assure you as to the liquidity of, or the trading market for, the Notes.

In connection with the offering, any of the Initial Purchasers appointed and acting in its capacity as a stabilizing manager ("Stabilizing Manager") (or persons acting on its behalf) may engage in stabilizing transactions. These transactions may, to the extent permitted by applicable laws and regulations, include short sales, purchases on the open market to cover positions created by short sales and stabilizing purchases. Short sales involve the sale by a Stabilizing Manager of a greater principal amount of the Notes than they are required to purchase in the offering. A Stabilizing Manager must close out any short position by purchasing the Notes in the open market. A short position is more likely

to be created if the Initial Purchasers are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions involve bids to purchase the Notes so long as the stabilizing bids do not exceed a specified maximum.

Similar to other purchase transactions, a Stabilizing Manager's purchases to cover the syndicate short sales and stabilizing purchasers may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

Neither the Company nor any of the Initial Purchasers makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, Neither the Company nor any of the Initial Purchasers makes any representation that the Initial Purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice at any time. No assurance can be given as to the liquidity of, or the trading market for, the Notes.

The Group expects to deliver the Notes against payment for the Notes on or about the date specified in the last paragraph of the cover page of this offering memorandum, which will be the fifth business day following the date of the pricing of the Notes.

The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("Banking Services or Transactions"). The Initial Purchasers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services and/or Transactions with the Company and/or its subsidiaries and affiliates for which they have received, or will receive, fees and expenses. In connection with the offering of the Notes, the Initial Purchasers or any of their affiliates may purchase the Notes for their own accounts and enter into transactions, including repackaging and other transactions. Accordingly, references herein to the Notes being offered should be read as including any offering of the Notes to the Initial Purchasers and/or their 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 Group has agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make because of any of those liabilities.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or their respective affiliates on behalf of us in such jurisdiction.

Selling Restrictions

General

No action has been taken or will be taken in any jurisdiction by the Group or the Initial Purchasers that would permit a public offering of the Notes, or the possession, circulation or distribution of this offering memorandum or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

United States

The Notes and the Guarantees 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 Notes and the Guarantees 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 Notes and the Guarantees, an offer or sale of Notes and the Guarantees within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each invitation or inducement to engage in investment activity (within the meaning of Section 21 of Financial Services and Markets Act 2000 (the "FSMA") in connection with the issue or sale of the Notes has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in circumstances in which Section 21(1) of FSMA does not apply to the Company. In addition, all applicable provisions of the FSMA with respect to anything done by the Initial Purchasers in relation to the Notes in, from or otherwise involving the United Kingdom has been complied and will be complied.

Hong Kong

The Notes have not been and will not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), 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 laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Japan

The Notes 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 Initial Purchaser has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes 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 organized 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.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes may not be circulated or distributed, nor may any Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an

institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

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

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

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

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

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

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

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

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

PRC

The Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC, except as permitted by the securities laws of the PRC.

British Virgin Islands

No invitation has been or will be made directly or indirectly to the public in the British Virgin Islands or any natural person resident or citizen in the British Virgin Islands to subscribe for any of the Notes.

This offering memorandum does not constitute, and will not be, an offering of the Notes to any person in the British Virgin Islands.

TRANSFER RESTRICTIONS

Because of the following restrictions, the Group encourages you to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes. The Notes are subject to restrictions on transfer as summarized below. By purchasing the Notes, you will be deemed to have made the following acknowledgements, representations to, and agreements with, the Group and the Initial Purchasers:

1. You understand and acknowledge that:

   - the Notes and the Parent Guarantee have not been registered under the Securities Act or any other applicable securities laws;

   - the Notes are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;

   - the Notes are being offered and sold only outside the United States in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and

   - unless so registered, the Notes may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and, in each case, in compliance with the conditions for transfer set forth in paragraph 4 below.

2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of the Company, you are not acting on its behalf, and you are purchasing the Notes in an offshore transaction in accordance with Regulation S.

3. You acknowledge that neither the Group nor the Initial Purchasers nor any person representing the Group or the Initial Purchasers has or have made any representation to you with respect to the Group or the offering of the Notes, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning the Group and the Notes as you have deemed necessary in connection with your decision to purchase the Notes, including an opportunity to ask questions of and request information from the Group.

4. You represent that you are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the Securities Act.

5. You also acknowledge that each Note will contain a legend substantially to the following effect:

   THIS NOTE AND THE PARENT GUARANTEE HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

6. You acknowledge that the Group, the Initial Purchasers, the Trustee, the Transfer Agent and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the Notes is no longer accurate, you will promptly notify the Group and the Initial Purchaser. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

7. You understand that the Notes will be represented by a global note and that transfers thereto are restricted as described under "Description of the Notes – Book-Entry; Delivery and Form."

SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

The Group's consolidated financial statements included in this offering memorandum have been prepared and presented in accordance with PRC GAAP. Certain differences exist between PRC GAAP and IFRS which might be relevant to the Group's financial information included herein.

The following is a general summary of certain differences between PRC GAAP and IFRS as applicable to the Group. The differences identified below are limited to those significant differences that are appropriate to the Group's financial statements. The Group is responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there is no assurance regarding the completeness of the summary.

The Group has not prepared a complete reconciliation of the consolidated financial information and related footnote disclosure between PRC GAAP and IFRS and have not quantified such differences. Had any such quantification or reconciliation been undertaken by the Group, other potentially significant accounting and disclosure differences may be required that are not identified below. In addition, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standard.

Regulatory bodies that promulgate PRC GAAP and IFRS have significant projects on-going that could affect future comparisons such as this one. Furthermore, no attempt has been made to identify future differences between PRC GAAP and IFRS that may affect the financial information as a result of transactions or events that may occur in the future. As a result, no assurance is provided that the following summary of differences between PRC GAAP and IFRS is complete.

In making an investment decision, you must rely upon your own examination of the Group's financial information, the terms of the offering and other disclosure contained herein.

Accounting Year

Under PRC GAAP, the accounting year shall run from January 1 to December 31.

IFRS requires financial statements to be presented at least annually. However, it does not specify the start or end of the financial reporting period and permits an entity to change its reporting date.

Format of Financial Statements and Items Presented

PRC GAAP contains detailed requirements on the format of financial statements and the items to be presented.

IFRS sets out overall principles and minimum line items to be presented but does not prescribe the formats in detail.

Classification of Expenses in the Income Statement/Statement of Comprehensive Income

Under PRC GAAP, expenses must be classified based on their function in the income statement.

Under IFRS, enterprises may classify expenses either based on the nature of the expenses or their function in the statement of comprehensive income, depending on which format is considered reliable and more relevant.

Statement of Cash Flows

Under PRC GAAP, the direct method together with a supporting note reconciling operating result to cash flows arising from operations is the only permitted method.

Under IFRS, enterprises can choose whether to present cash flows from operating activities using the direct method or indirect method. Typically, entities reporting under IFRS use the indirect method.

Accounting for Business Combinations Involving Entities under Common Control

Under PRC GAAP, business combinations involving entities under common control shall be accounted for using a method of accounting similar to the pooling of interests method.

IFRS provides a definition of "Business combinations involving enterprises under common control". However, it uses this definition to scope out such business combinations from the requirements of IFRS and does not contain any alternative detailed accounting rules for such transactions.

In practice, divergent accounting treatments exist under IFRS. For example, some enterprises refer to generally accepted accounting principles in the United States, which is similar to PRC GAAP in principle. However, other enterprises apply the accounting treatments of business combinations not involving enterprises under common control as set out in IFRS.

Non-Controlling Interest/Minority Interest

Under PRC GAAP, the acquirer should always recognize the minority interest at the minority shareholders' proportionate interest in the acquiree's identifiable net assets.

Under IFRS, the acquirer can choose, on an acquisition by acquisition basis, whether to measure components of non-controlling interest in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Fixed Assets and Intangible Assets

Under PRC GAAP, only the cost model is permitted.

Under IFRS, an enterprise should make a policy choice, on a class by class basis, to carry items of property, plant and equipment held for own use using either the cost model or the revaluation model.

Borrowing Costs Eligible for Capitalization

Under PRC GAAP all exchange differences arising from the retranslation of the principal and interest of a specific foreign currency borrowing are eligible for capitalization.

Under IFRS, borrowing costs eligible for capitalization include exchange differences arising from foreign currency borrowings only to the extent that they represent an adjustment to interest costs.

Impairment of Assets (Including Long-Term Assets Measured At Historical Cost, Such As Fixed Assets and Intangible Assets, and Assets Held For Sale)

Under PRC GAAP, once an impairment loss is recognized, it shall not be reversed in a subsequent period.

Under IFRS, impairment losses recognized in prior periods for an asset other than goodwill should be reversed when the recoverable amount of the asset increases as a result of a change in estimates.

RATINGS

The Issuer expects the Notes to be assigned a rating of "B2" by Moody's. The ratings do not constitute recommendations to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. Each such rating should be evaluated independently of any other rating on the Notes, on other securities of the Group, or on the Group. Additionally, the Group has been assigned a long-term foreign currency issuer default rating of "B2" with a stable outlook by Moody's. A suspension, reduction or withdrawal of the rating assigned to the Notes may adversely affect the market price of the Notes. There can be no assurance that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for the Group by King & Wood Mallesons as to matters of United States federal and New York law, Gaopeng & Partners, Nanjing Office as to matters of PRC law and Walkers as to matters of BVI law. Certain legal matters will be passed upon for the Initial Purchasers by Linklaters as to matters of United States federal and New York law and Jingtian & Gongcheng as to matters of PRC law.

INDEPENDENT AUDITOR

The consolidated financial statements of the Group as of and for the years ended December 31, 2015 and 2016 have been audited by the Group's independent auditor, Jiangsu Suya Jincheng Certified Public Accountants LLP, as stated in their auditor's reports appearing herein.

Jiangsu Suya Jincheng Certified Public Accountants LLP has acknowledged the inclusion in this offering memorandum of all references to its name, its auditor's reports on the Group's consolidated financial statements as of and for each of the years ended December 31, 2015, 2016, in the form and context in which they are respectively included in this offering memorandum.

GENERAL INFORMATION

Consents

All necessary consents, approvals and authorizations have been obtained in the PRC and the BVI in connection with the issue and performance of the Notes, and the execution and delivery of the Parent Guarantee. The entering into of the Indenture and the issue of the Notes was authorized by a resolution of the sole director of the Issuer on October 14, 2017. The entering into and performance of the Parent Guarantee has been authorized by a resolution of the Company's Board of Directors dated July 4, 2017 and shall be authorized by the Company's shareholders' meeting on July 19, 2017.

Documents Available

For so long as any of the Notes are outstanding, copies of the Indenture may be inspected free of charge during normal business hours on any weekday (except public holidays) at the corporate trust office of the Trustee.

Clearing System and Settlement

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream under the Common Code number 170158288 and the International Securities Identification Number for the Notes is XS1701582881. Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream.

Listing of the Notes

Application has been made for the listing of the Notes on the SGX. SGX assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this offering memorandum. Admission of the Notes to the official list of the SGX is not to be taken as an indication of the merits of the Issuer or the Notes. The Notes will be traded on the SGX in a minimum board lot size of US$200,000 for so long as the Notes are listed on the SGX.

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

Litigation

Save as disclosed in this offering memorandum, there are no legal or arbitration proceedings against or affecting the Issuer, the Company, any of the Company's subsidiaries or any of the Group's assets, nor is the Group aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Notes.

No Material Adverse Change

Except as disclosed in this offering memorandum, there has been no material adverse change in the financial or trading position or prospects of the Company since June 30, 2017.

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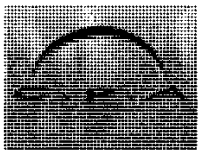

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Translation of a report originally issued in Chinese based on our work performed in accordance with the audit regulations in force in China. In the event of a discrepancy, the Chinese-language version prevails.

Auditor's Report

To the shareholders of Jiangsu Nantong Sanjian Construction Group Co., Ltd.:

We have audited the accompanying financial statements of Jiangsu Nantong Sanjian Construction Group Co., Ltd.(hereinafter referred to as "Nantong Sanjian"), which comprise the consolidated balance sheet and balance sheet as at December 31st 2016; consolidated income statement and income statement, consolidated statement of cash flows and statement of cash flows, consolidated statement of changes in owners' equity and statement of changes in owners' equity for the year then ended; and notes to the financial statements.

Management's Responsibility for the Financial Statements

The management of Nantong Sanjian is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to ensure fair presentation; (2) designing, implementing and maintaining internal control that is necessary to ensure the financial statements are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants. Those standards require that we comply with professional and ethical requirements, and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider the internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of Nantong Sanjian are prepared, in all material respects, in accordance with Accounting Standards for Business Enterprises and present fairly the financial position of Nantong Sanjian as at December 31st 2016 and its operating results and cash flows for the year then ended.

Jiangsu Suya Jincheng Certified Public Accountants LLP

Nanjing, China

Chen Yusheng

Certified Public Accountant of China

Qi Chengbing

Certified Public Accountant of China

April27th, 2017

Consolidated Balance Sheet

As at December 31, 2016

Prepared by: Jiangsu Nantong Sanjian Construction Group Co., Ltd.

Monetary Unit: CNY

Assets	Note v	Balance as at December 31, 2016	Balance as at December 31, 2015
Current Assets:			
Cash and cash equivalents	v.1	2, 918, 861, 182. 71	2, 417, 131, 240. 20
Financial assets measured at fair value through current profit or loss	v.2		900, 800. 00
Notes receivable	v.3	134, 855, 805. 39	448, 722, 335. 40
Accounts receivable	v.4	3, 333, 993, 888. 73	2, 819, 379, 353. 23
Prepayment	v.5	407, 131, 558. 94	333, 133, 263. 71
Interests receivable	v.6	1, 209, 097. 38	5, 084, 448. 46
Dividends receivable			
Other receivables	v.7	6, 128, 854, 716. 58	3, 201, 720, 492. 26
Inventories	v.8	8, 101, 218, 672. 93	7, 181, 602, 254. 34
Non-current assets maturing within one year			
Other current assets	v.9	100, 101, 862. 40	103, 507, 732. 60
Total current assets		21, 126, 226, 785. 06	16, 511, 181, 920. 20
Non-current assets:			
Loans and payments on behalf			210, 873, 290. 87
Available-for-sale financial assets	v.10	200, 175, 061. 88	130, 109, 061. 88
Held-to-maturity investments			
Long-term receivables	v.11	460, 430, 188. 78	329, 675, 927. 91
Long-term equity investments	v.12	2, 439, 829. 64	49, 144, 535. 53
Investment properties	v.13	69, 791, 931. 04	9, 912, 929. 44
Fixed assets	v.14	346, 616, 381. 05	342, 858, 160. 77
Construction in progress			
Project materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets	v.15	2, 652, 751. 94	24, 896, 813. 82
Development expenses	v.16	2, 860, 240. 41	
Goodwill	v.17	269, 670, 996. 42	173, 282, 096. 89
Long-term deferred expenses	v.18	44, 531, 106. 63	36, 093, 125. 13
Deferred tax assets	v.19	150, 162, 861. 57	101, 870, 443. 64
Other non-current assets	v.20	403, 863, 796. 30	223, 080, 605. 37
Total non-current assets		1, 953, 195, 145. 66	1, 631, 796, 991. 25
Total assets		23, 079, 421, 930. 72	18, 142, 978, 911. 45

Legal representative :　　Person in charge of accounting affairs :　　Person in charge of accounting department: :

Consolidated Balance Sheet

As at December 31, 2016

Prepared by: Jiangsu Nantong Sanjian Construction Group Co., Ltd. Monetary Unit: CNY

Liabilities and owners' equity	Note v	Balance as at December 31, 2016	Balance as at December 31, 2015
Current liabilities:			
Short-term loans	v.21	3, 293, 300, 000. 00	2, 567, 990, 000. 00
Financial liabilities measured at fair value through current profit or loss			
Notes payable	v.22	1, 713, 556, 608. 38	2, 088, 730, 000. 00
Accounts payable	v.23	2, 576, 665, 491. 76	1, 649, 441, 597. 01
Advances from customers	v.24	386, 499, 464. 82	306, 539, 609. 87
Employee benefits payable	v.25	996, 136, 478. 89	852, 134, 359. 77
Taxes and surcharges payable	v.26	476, 634, 063. 90	760, 999, 403. 17
Interest payable	v.27	40, 929, 045. 90	20, 542, 045. 94
Dividends payable	v.28	33, 317, 492. 79	22, 150, 936. 00
Other payables	v.29	2, 165, 758, 898. 58	2, 078, 590, 621. 77
Non-current liabilities maturing within one year	v.30	687, 642, 790. 44	46, 641, 215. 17
Other current liabilities	v.31	175, 551, 380. 45	
Total current liabilities		12, 545, 991, 715. 91	10, 393, 759, 788. 70
Non-current liabilities:			
Long-term loans	v.32	1, 389, 126, 098. 17	975, 556, 030. 76
Bonds payable	v.33	1, 758, 224, 599. 66	794, 039, 782. 55
Long-term payables	v.34	30, 766, 525. 61	52, 287, 630. 16
Provision			
Deferred income			
Deferred tax liabilities	v.19	27, 616, 041. 38	21, 617, 822. 30
Other non-current liabilities			252. 00
Total non-current liabilities		3, 205, 733, 264. 82	1, 843, 501, 517. 77
Total liabilities		15, 751, 724, 980. 73	12, 237, 261, 306. 47
Owners' equity (or shareholders' equity)			
Share capital	v.35	596, 204, 692. 00	501, 280, 000. 00
Capital reserves	v.36	5, 480, 436, 202. 22	4, 586, 650, 242. 58
Less: treasury stock			
Other comprehensive income	v.37	11, 249, 960. 40	
Special reserves	v.38	26, 813, 537. 02	95, 557, 338. 59
Surplus reserves	v.39	74, 516, 610. 07	
General risk reserve			856, 338. 24
Undistributed profits	v.40	768, 588, 739. 44	139, 112, 642. 24
Total equity attributable to owners of the parent company		6, 957, 809, 741. 15	5, 323, 456, 561. 65
Non-controlling interests		369, 887, 208. 84	582, 261, 043. 33
Total owners' equity (or shareholders' equity)		7, 327, 696, 949. 99	5, 905, 717, 604. 98
Total liabilities and owners' equity (or shareholders' equity)		23, 079, 421, 930. 72	18, 142, 978, 911. 45

Legal representative: Person in charge of accounting affairs: Person in charge of accounting department:

Consolidated Income Statement

For the year ended December 31,2016

Prepared by: Jiangsu Nantong Sanjian Construction Group Co., Ltd

Monetary Unit: CNY

Item	Note v	Year 2016	Year 2015
1. Total operating income	v.41	20, 277, 875, 644. 19	18, 744, 607, 277. 07
less : operating costs	v.41	18, 077, 717, 388. 89	16, 656, 759, 280. 93
Business taxes and surcharges	v.42	232, 044, 544. 07	638, 230, 780. 25
Selling and distribution expenses	v.43	10, 247, 505. 97	10, 967, 998. 36
General and administrative expenses	v.44	526, 057, 784. 82	275, 313, 892. 88
Financial expenses	v.45	200, 886, 401. 81	208, 502, 585. 98
Impairment losses	v.46	188, 383, 357. 40	-65, 813, 449. 03
Plus: gains from changes in fair value ("-" for losses)	v.47		-467, 786. 28
Investment income ("-" for losses)	v.48	51, 675, 419. 95	16, 404, 572. 10
Including: income from investment in associates and joint ventures		-60, 170. 36	527, 019. 18
2、Operating profit ("-" For Losses)		1, 094, 214, 081. 12	1, 036, 582, 973. 52
Plus: non-operating income	v.49	5, 053, 610. 55	4, 513, 445. 95
Including: disposal gains from non-current assets		1, 601, 680. 41	434, 970. 85
Less: non-operating expenses	v.50	4, 776, 304. 92	5, 041, 576. 17
Including: losses from disposal of non-current assets		324, 892. 48	923, 557. 45
3、Total profit before tax ("-" For Total Losses)		1, 094, 491, 386. 75	1, 036, 054, 843. 30
Less: income tax expenses	v.51	353, 713, 124. 36	295, 962, 770. 58
4、Net profit ("-" For Net Loss)		740, 778, 262. 39	740, 092, 072. 72
Attributable to owners of the parent company		703, 136, 369. 03	736, 640, 731. 33
Attributable to Non-controlling interests		37, 641, 893. 36	3, 451, 341. 39
5、.Net of tax from other comprehensive income	v.52	11, 249, 960. 40	
Net of tax from other comprehensive income to the owner of the parent company		11, 249, 960. 40	
1.Other comprehensive income cannot reclassified into the profit and loss:			
Remeasure the variation of net indebtedness or net asset of defined benefit plans			
Share in other comprehensive income that cannot be classified into profit and loss under equity method			
2. Other comprehensive income that will be reclassified into the profit and loss			
Share in other comprehensive income that will be classified into profit and loss under equity method			
Changes in fair value of available-for-sale financial assets		11, 250, 000. 00	
Held-to-maturity investment reclassified into available-for sale financial assets			
Effective part of cash-flow hedge profit and loss			
Balance arising from the translation of foreign currency financial statements		-39. 60	
Other			
Net of tax from other comprehensive income to minority shareholders			
6、Total comprehensive income		752, 028, 222. 79	740, 092, 072. 72
Total comprehensive income attributable to owners of the parent company		714, 386, 329. 43	736, 640, 731. 33
Total comprehensive income attributable to Non-controlling interests		37, 641, 893. 36	3, 451, 341. 39
7、Earnings per share			
(1)Basic earnings per share (CNY/share)		1. 32	
(2)Diluted earnings per share (CNY/share)		1. 32	

Legal representative :

Person in charge of accounting affairs :

Person in charge of accounting department:

Consolidated Statement of Cash Flows

For the year ended December 31, 2016

Prepared by: Jiangsu Nantong Sanjian Construction Group Co., Ltd

Monetary Unit: CNY

Item	Note v	Year 2016	Year 2015
1. Cash flows from operating activities			
Cash received from sale of goods and rendering of services		20, 703, 984, 161. 71	18, 959, 459, 251. 14
Refunds of taxes and surcharges			
Cash received from other operating activities	v.53	242, 977, 267. 75	1, 868, 646, 692. 57
Sub-total of cash inflows from operating activities		20, 946, 961, 419. 46	20, 828, 105, 943. 71
Cash paid for goods purchased and services received		15, 718, 182, 994. 35	16, 650, 014, 717. 52
Net increase in loans and advances to customers		13, 166, 291. 69	214, 084, 559. 26
Cash paid to and on behalf of employees		3, 687, 428, 567. 60	3, 211, 879, 644. 21
Cash paid for taxes and surcharges		1, 250, 856, 370. 18	523, 443, 979. 69
Cash paid for other operating activities	v.53	211, 471, 364. 04	445, 762, 358. 01
Sub-total of cash outflows from operating activities		20, 881, 105, 587. 86	21, 045, 185, 258. 69
Net cash flows from operating activities		65, 855, 831. 60	-217, 079, 314. 98
2、Cash flows from investing activities :			
Cash received from disposal of investments		667, 475, 765. 01	581, 168, 580. 39
Cash received from returns on investments		47, 685, 598. 72	26, 944, 126. 85
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1, 743, 980. 41	15, 000, 000. 00
Net cash received from disposal of subsidiaries and other business units		-18, 657, 817. 69	
Cash received from other investing activities	v.53	344, 090, 722. 26	
Sub-total of cash inflows from investing activities		1, 032, 338, 248. 71	623, 112, 707. 24
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		56, 773, 117. 31	163, 497, 150. 01
Cash paid for investments		901, 428, 232. 85	536, 320, 202. 51
Net cash paid to acquire subsidiaries and other business units		182, 538, 874. 77	95, 778, 632. 07
Cash paid for other investing activities	v.53	2, 928, 521, 071. 75	206, 134, 393. 75
Sub-total of cash outflows from investing activities		4, 069, 261, 296. 68	1, 001, 730, 378. 34
Net cash flows from investing activities		-3, 036, 923, 047. 97	-378, 617, 671. 10
3、Cash flows from financing activities :			
Cash received from investors		700, 128, 009. 00	176, 000, 000. 00
Including: cash received by subsidiaries from investments by minority shareholders			176, 000, 000. 00
Cash received from borrowings		6, 798, 093, 269. 95	4, 072, 490, 000. 00
Cash received from bonds issue		1, 000, 000, 000. 00	600, 000, 000. 00
Cash received from other financing activities			
Sub-total of cash inflows from financing activities		8, 498, 221, 278. 95	4, 848, 490, 000. 00
Cash paid for debt repayments		4, 726, 682, 731. 82	3, 791, 229, 107. 39
Cash paid for distribution of dividends and profits or payment of interest		322, 199, 007. 16	289, 650, 338. 46
Including: dividends and profits paid to minority shareholders by subsidiaries			
Cash paid for other financing activities	v.53	180, 000. 00	1, 994, 789. 22
Sub-total of cash outflows from financing activities		5, 049, 061, 738. 98	4, 082, 874, 235. 07
Net cash flows from financing activities		3, 449, 159, 539. 97	765, 615, 764. 93
4、Effect of fluctuation in exchange rate on cash and cash equivalents		261, 532. 07	-933, 326. 15
5、Net increase in cash and cash equivalents		478, 353, 855. 67	168, 985, 452. 70
Plus: balance of cash and cash equivalents at the beginning of the period		1, 150, 724, 613. 40	981, 739, 160. 70
6、Balance of cash and cash equivalents at the end of the period		1, 629, 078, 469. 07	1, 150, 724, 613. 40

Legal representative :　　Person in charge of accounting affairs:　　Person in charge of accounting department:

Consolidated Statement of Changes in Shareholders' Equity

For the year ended December 31, 2016

Prepared by: Jiangsu Nantong Sanjian Construction GroupCo., Ltd.

Monetary Unit: CNY

项 目	Year 2016									
	Equity attributable to owners of the parent company								Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Less: treasury stock	Other Comprehensive Income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
1. Balance as at December 31 of last year	501, 280, 000. 00	4, 586, 650, 242. 58			95, 557, 338. 59		856, 338. 24	139, 112, 642. 24	582, 261, 043. 33	5, 905, 717, 604. 98
Plus: adjustments for changes in accounting policies										0. 00
Adjustments for correction of accounting errors in prior year										0. 00
Bussiness Combinations Under Common Control										0. 00
Others										0. 00
2. Balance as at January 1 of the current year	501, 280, 000. 00	4, 586, 650, 242. 58			95, 557, 338. 59		856, 338. 24	139, 112, 642. 24	582, 261, 043. 33	5, 905, 717, 604. 98
3. Increases/decreases in the current year ("-" for decreases)	94, 924, 692. 00	893, 785, 959. 64		11, 249, 960. 40	-68, 743, 801. 57	74, 516, 610. 07	-856, 338. 24	629, 476, 097. 20	-212, 373, 834. 49	1, 421, 979, 345. 01
(1) Total comprehensive income				11, 249, 960. 40				703, 136, 369. 03	37, 641, 893. 36	752, 028, 222. 79
(2) Capital contributed or reduced by owners	94, 924, 692. 00	893, 785, 959. 64							-250, 015, 727. 85	738, 694, 923. 79
a.Capital contributions by owners	94, 924, 692. 00	605, 203, 317. 00								700, 128, 009. 00
b.Amounts of share-based payments recognized in owners' equity		288, 861, 142. 30								288, 861, 142. 30
C.Others		-278, 499. 66							-250, 015, 727. 85	-250, 294, 227. 51
(3) Profit distribution						74, 516, 610. 07	-856, 338. 24	-73, 660, 271. 83		0. 00
a. Withdrawal of surplus reserves						74, 516, 610. 07		-74, 516, 610. 07		0. 00
b. Withdrawal of general risk reserve							-856, 338. 24	856, 338. 24		
c. Profit distributed to owners (or shareholders)										0. 00
d. Others										0. 00
4) Internal carry-forward of owners' equity										0. 00
a. Conversion of capital reserves into paid-in capital (or share capital)										0. 00
b. Conversion of surplus reserves into paid-in capital (or share capital)										0. 00
c. Surplus reserves offsetting losses										0. 00
d . Others										0. 00
(5) Special reserves					-68, 743, 801. 57					-68, 743, 801. 57
a. Withdrawal for the period					385, 133, 921. 97					385, 133, 921. 97
b. Use for the period					453, 877, 723. 54					453, 877, 723. 54
4. Balance as at December 31 of the current year	596, 204, 692. 00	5, 480, 436, 202. 22	0. 00	11, 249, 960. 40	26, 813, 537. 02	74, 516, 610. 07	0. 00	768, 588, 739. 44	369, 887, 208. 84	7, 327, 696, 949. 99

Legal representative :

Person in charge of accounting affairs :

Person in charge of accounting department :

Consolidated Statement of Changes in Shareholders' Equity

For the year ended December 31, 2016

Prepared by: Jiangsu Nantong Sanjian Construction GroupCo., Ltd.

Monetary Unit: CNY

Item	Year 2015									
	Equity attributable to owners of the parent company								Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Less: treasury stock	Other Comprehensive Income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
1. Balance as at December 31 of last year	501,280,000.00	278,499.66			80,792,774.62	331,105,245.72		3,701,655,023.35	398,243,914.77	5,013,355,458.12
Plus: adjustments for changes in accounting policies										
Adjustments for correction of accounting errors in prior year										
Bussiness Combinations Under Common Control										
Others										
2. Balance as at January 1 of the current year	501,280,000.00	278,499.66			80,792,774.62	331,105,245.72		3,701,655,023.35	398,243,914.77	5,013,355,458.12
3. Increases/decreases in the current year ("-" for decreases)	0.00	4,586,371,742.92			14,764,563.97	-331,105,245.72	856,338.24	-3,562,542,381.11	184,017,128.56	892,362,146.86
(1) Total comprehensive income								736,640,731.33	3,451,341.39	740,092,072.72
(2) Capital contributed or reduced by owners	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	180,565,787.17	180,565,787.17
a.Capital contributions by owners									176,000,000.00	176,000,000.00
b.Amounts of share-based payments recognized in owners' equity										
C.Others									4,565,787.17	4,565,787.17
(3) Profit distribution		4,586,371,742.92				-331,105,245.72	856,338.24	-4,299,183,112.44		-43,060,277.00
a. Withdrawal of surplus reserves										
b. Withdrawal of general risk reserve							856,338.24	-856,338.24		
c. Profit distributed to owners (or shareholders)								-43,060,277.00		-43,060,277.00
d. Others		4,586,371,742.92				-331,105,245.72		-4,255,266,497.20		
4) Internal carry-forward of owners' equity										
a. Conversion of capital reserves into paid-in capital (or share capital)										
b. Conversion of surplus reserves into paid-in capital (or share capital)										
c. Surplus reserves offsetting losses										
d . Others										
(5) Special reserves					14,764,563.97					14,764,563.97
a. Withdrawal for the period					350,279,595.95					350,279,595.95
b. Use for the period					335,515,031.98					335,515,031.98
4. Balance as at December 31 of the current year	501,280,000.00	4,586,650,242.58			95,557,338.59		856,338.24	139,112,642.24	582,261,043.33	5,905,717,604.98

Legal representative:

Person in charge of accounting affairs:

Person in charge of accounting department:

Balance Sheet

As at December 31, 2016

Prepared by: Jiangsu Nantong Sanjian Construction Group Co., Ltd.

Monetary Unit: CNY

Assets	NoteXII	Balance as at December 31, 2016	Balance as at December 31, 2015
Current Assets:			
Cash and cash equivalents		2,133,296,697.31	2,022,497,960.33
Financial assets measured at fair value through current profit or loss			900,800.00
Notes receivable		125,304,978.48	435,122,335.40
Accounts receivable	XII、1	2,907,093,815.77	2,394,006,394.49
Prepayment		151,291,602.96	169,396,782.58
Interests receivable		800,000.00	2,814,157.64
Dividends receivable			
Other receivables	XII、2	5,326,481,498.74	3,346,995,289.46
Inventories		6,886,740,607.38	5,419,722,313.85
Non-current assets maturing within one year			
Other current assets		80,000,000.00	79,000,000.00
Total current assets		17,611,009,200.64	13,870,456,033.75
Non-current assets:			
Available-for-sale financial assets		194,465,061.88	122,109,061.88
Held-to-maturity investments			
Long-term receivables		9,800,000.00	9,800,000.00
Long-term equity investments	XII、3	1,177,453,829.64	1,280,834,393.19
Investment properties			
Fixed assets		173,074,826.41	198,303,669.67
Construction in progress			
Project materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets		1,510,741.43	41,140.16
Development expenses			
Goodwill			
Long-term deferred expenses		34,260,881.62	35,331,065.14
Deferred tax assets		126,333,045.69	101,394,838.40
Other non-current assets		11,899,796.30	23,080,605.40
Total non-current assets		1,728,798,182.97	1,770,894,773.84
Total assets		19,339,807,383.61	15,641,350,807.59

Legal representative: Person in charge of accounting affairs: Person in charge of accounting department:

Balance Sheet

As at December 31, 2016

Prepared by: Jiangsu Nantong Sanjian Construction Group Co., Ltd.

Monetary Unit: CNY

Liabilities and owners' equity	Note XII	Balance as at December 31, 2016	Balance as at December 31, 2015
Current liabilities:			
Short-term loans		2,500,000,000.00	2,402,000,000.00
Financial liabilities measured at fair value through current profit or loss			
Notes payable		1,220,631,615.20	1,780,050,000.00
Accounts payable		1,509,541,615.66	1,220,188,922.75
Advances from customers		142,553,362.73	149,790,999.51
Employee benefits payable		851,697,108.88	814,265,437.43
Taxes and surcharges payable		392,537,233.70	728,630,741.36
Interest payable		37,740,082.49	19,256,860.69
Dividends payable		22,150,936.00	22,150,936.00
Other payables		2,275,375,617.27	1,771,273,130.25
Non-current liabilities maturing within one year		450,000,000.00	
Other current liabilities		171,370,804.13	
Total current liabilities		9,573,598,376.06	8,907,607,027.99
Non-current liabilities:			
Long-term loans		1,203,720,000.00	803,500,000.00
Bonds payable		1,688,495,810.09	694,747,067.93
Long-term payables		30,766,525.61	52,287,630.16
Provision			
Deferred income			
Deferred tax liabilities		3,750,000.00	
Other non-current liabilities			
Total non-current liabilities		2,926,732,335.70	1,550,534,698.09
Total liabilities		12,500,330,711.76	10,458,141,726.08
Owners' equity (or shareholders' equity)			
Share capital		596,204,692.00	501,280,000.00
Capital reserves		5,480,436,202.22	4,586,371,742.92
Less: treasury stock			
Other comprehensive income		11,249,960.40	
Special reserves		6,419,716.54	95,557,338.59
Surplus reserves		74,516,610.07	
Undistributed profits		670,649,490.62	
Total owners' equity (or shareholders' equity)		6,839,476,671.85	5,183,209,081.51
Total liabilities and owners' equity (or shareholders' equity)		19,339,807,383.61	15,641,350,807.59

Legal representative:

Person in charge of accounting affairs:

Person in charge of accounting department:

Income Statement

For the year ended December 31,2016

Prepared by: Jiangsu Nantong Sanjian Construction Group Co., Ltd. Monetary Unit: CNY

Item	Note XII	Year 2016	Year 2015
1. Total operating income	XII、4	**18,490,621,766.57**	**17,514,779,797.38**
less: operating costs	XII、4	**16,569,926,668.00**	**15,744,913,243.45**
Business taxes and surcharges		**221,641,934.28**	**591,360,393.73**
Selling and distribution expenses			
General and administrative expenses		**441,656,191.70**	**161,896,076.93**
Financial expenses		**222,417,518.14**	**107,176,986.41**
Impairment losses		**99,752,829.15**	**-1,627,577.47**
Plus: gains from changes in fair value ("-" for losses)			**-467,786.28**
Investment income ("-" for losses)	XII、5	**117,881,208.49**	**2,489,881.08**
Including: income from investment in associates and joint ventures		**-60,170.36**	**527,019.18**
2、Operating profit ("-" For Losses)		**1,053,107,828.79**	**913,082,769.13**
Plus: non-operating income		**3,109,483.34**	**4,097,342.21**
Including: disposal gains from non-current assets			**434,970.85**
Less: non-operating expenses		**1,736,964.25**	**4,139,456.92**
Including: losses from disposal of non-current assets			**127,648.16**
3、Total profit before tax ("-" For Total Losses)		**1,054,480,347.88**	**913,040,654.42**
Less: income tax expenses		**309,314,247.19**	**233,179,109.68**
4、Net profit ("-" For Net Loss)		**745,166,100.69**	**679,861,544.74**
5、.Net of tax from other comprehensive income		**11,249,960.40**	
1.Other comprehensive income cannot reclassified into the profit and loss:			
Remeasure the variation of net indebtedness or net asset of defined benefit plans			
Share in other comprehensive income that cannot be classified into profit and loss under equity method			
2. Other comprehensive income that will be reclassified into the profit and loss			
Share in other comprehensive income that will be classified into profit and loss under equity method			
Changes in fair value of available-for-sale financial assets		**11,250,000.00**	
Held-to-maturity investment reclassified into available-for sale financial assets			
Effective part of cash-flow hedge profit and loss			
Balance arising from the translation of foreign currency financial statements		**-39.60**	
Other			
6、Total comprehensive income		**756,416,061.09**	**679,861,544.74**
7、Earnings per share			
(1)Basic earnings per share （CNY/share）		**1.39**	
(2)Diluted earnings per share （CNY/share）		**1.39**	

Legal representative: Person in charge of accounting affairs: Person in charge of accounting department:

Statement of Cash Flows

For the year ended December 31, 2016

Prepared by: Jiangsu Nantong Sanjian Construction Group Co., Ltd　　Monetary Unit: CNY

Item	Note XII	Year 2016	Year 2015
1. Cash flows from operating activities			
Cash received from sale of goods and rendering of services		18,380,979,103.45	17,416,987,154.92
Refunds of taxes and surcharges			
Cash received from other operating activities		484,968,158.51	1,207,612,071.83
Sub-total of cash inflows from operating activities		18,865,947,261.96	18,624,599,226.75
Cash paid for goods purchased and services received		14,177,361,755.37	15,007,857,928.35
Cash paid to and on behalf of employees		3,558,517,225.62	2,981,258,842.04
Cash paid for taxes and surcharges		967,463,350.17	448,555,497.55
Cash paid for other operating activities		143,250,133.71	153,146,579.03
Sub-total of cash outflows from operating activities		18,846,592,464.87	18,590,818,846.97
Net cash flows from operating activities		19,354,797.09	33,780,379.78
2、Cash flows from investing activities:			
Cash received from disposal of investments		567,975,765.01	349,906,109.70
Cash received from returns on investments		32,253,273.36	26,382,335.75
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			15,000,000.00
Net cash received from disposal of subsidiaries and other business units		-18,657,817.69	
Cash received from other investing activities		227,084,393.75	
Sub-total of cash inflows from investing activities		808,655,614.43	391,288,445.45
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		33,125,099.66	136,770,571.22
Cash paid for investments		483,464,232.85	361,070,200.00
Net cash paid to acquire subsidiaries and other business units		182,538,874.77	95,778,632.07
Cash paid for other investing activities		2,143,329,987.85	206,134,393.75
Sub-total of cash outflows from investing activities		2,842,458,195.13	799,753,797.04
Net cash flows from investing activities		-2,033,802,580.70	-408,465,351.59
3、Cash flows from financing activities:			
Cash received from investors		700,128,009.00	
Cash received from borrowings		4,514,110,000.00	3,703,800,000.00
Cash received from bonds issue		1,000,000,000.00	500,000,000.00
Cash received from other financing activities			
Sub-total of cash inflows from financing activities		6,214,238,009.00	4,203,800,000.00
Cash paid for debt repayments		3,587,411,104.55	3,501,012,369.84
Cash paid for distribution of dividends and profits or payment of interest		266,902,085.47	248,873,346.63
Cash paid for other financing activities			
Sub-total of cash outflows from financing activities		3,854,313,190.02	3,749,885,716.47
Net cash flows from financing activities		2,359,924,818.98	453,914,283.53
4、Effect of fluctuation in exchange rate on cash and cash equivalents		261,532.07	-933,326.15
5、Net increase in cash and cash equivalents		345,738,567.44	78,295,985.57
Plus: balance of cash and cash equivalents at the beginning of the period		955,838,144.04	877,542,158.47
6、Balance of cash and cash equivalents at the end of the period		1,301,576,711.48	955,838,144.04

Legal representative:　　Person in charge of accounting affairs:　　Person in charge of accounting department:

Statement of Changes in Shareholders' Equity

For the year ended December 31, 2016

Prepared by: Jiangsu Nantong Sanjian Construction GroupCo., Ltd.

Monetary Unit: CNY

Item	Year 2016							
	Share capital	Capital reserve	Less: treasury stock	Other Comprehensive Income	Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
1. Balance as at December 31 of last year	501,280,000.00	4,586,371,742.92			95,557,338.59			5,183,209,081.51
Plus: adjustments for changes in accounting policies								
Adjustments for correction of accounting errors in prior year								
Others								
2. Balance as at January 1 of the current year	501,280,000.00	4,586,371,742.92			95,557,338.59			5,183,209,081.51
3. Increases/decreases in the current year ("-" for decreases)	94,924,692.00	894,064,459.30		11,249,960.40	-89,137,622.05	74,516,610.07	670,649,490.62	1,656,267,590.34
(1) Total comprehensive income				11,249,960.40			745,166,100.69	756,416,061.09
(2) Capital contributed or reduced by owners	94,924,692.00	894,064,459.30						988,989,151.30
a.Capital contributions by owners	94,924,692.00	605,203,317.00						700,128,009.00
b.Amounts of share-based payments recognized in owners' equity		288,861,142.30						288,861,142.30
C.Others								
(3) Profit distribution						74,516,610.07	-74,516,610.07	
a. Withdrawal of surplus reserves						74,516,610.07	-74,516,610.07	
c. Profit distributed to owners (or shareholders)								
d. Others								
4) Internal carry-forward of owners' equity								
a. Conversion of capital reserves into paid-in capital (or share capital)								
b. Conversion of surplus reserves into paid-in capital (or share capital)								
c. Surplus reserves offsetting losses								
d . Others								
(5) Special reserves					-89,137,622.05			-89,137,622.05
a. Withdrawal for the period					364,740,101.49			364,740,101.49
b. Use for the period					453,877,723.54			453,877,723.54
4. Balance as at December 31 of the current year	596,204,692.00	5,480,436,202.22		11,249,960.40	6,419,716.54	74,516,610.07	670,649,490.62	6,839,476,671.85

Legal representative:

Person in charge of accounting affairs:

Person in charge of accounting department:

Statement of Changes in Shareholders' Equity

For the year ended December 31, 2016

Prepared by: Jiangsu Nantong Sanjian Construction GroupCo., Ltd.

Monetary Unit: CNY

Item	year 2015							
	Share capital	Capital reserve	Less: treasury stock	Other Comprehensive Income	Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
1. Balance as at December 31 of last year	**501,280,000.00**				**80,792,774.62**	**331,105,245.72**	**3,618,465,229.46**	**4,531,643,249.80**
Plus: adjustments for changes in accounting policies								
Adjustments for correction of accounting errors in prior year								
Others								
2. Balance as at January 1 of the current year	**501,280,000.00**				**80,792,774.62**	**331,105,245.72**	**3,618,465,229.46**	**4,531,643,249.80**
3. Increases/decreases in the current year ("-" for decreases)		**4,586,371,742.92**			**14,764,563.97**	**-331,105,245.72**	**-3,618,465,229.46**	**651,565,831.71**
(1) Total comprehensive income							**679,861,544.74**	**679,861,544.74**
(2) Capital contributed or reduced by owners								
a.Capital contributions by owners								
b.Amounts of share-based payments recognized in owners' equity								
C.Others								
(3) Profit distribution		**4,586,371,742.92**				**-331,105,245.72**	**-4,298,326,774.20**	**-43,060,277.00**
a. Withdrawal of surplus reserves								
c. Profit distributed to owners (or shareholders)							**-43,060,277.00**	**-43,060,277.00**
d. Others		**4,586,371,742.92**				**-331,105,245.72**	**-4,255,266,497.20**	
4) Internal carry-forward of owners' equity								
a. Conversion of capital reserves into paid-in capital (or share capital)								
b. Conversion of surplus reserves into paid-in capital (or share capital)								
c. Surplus reserves offsetting losses								
d . Others								
(5) Special reserves					**14,764,563.97**			**14,764,563.97**
a. Withdrawal for the period					**350,279,595.95**			**350,279,595.95**
b. Use for the period					**335,515,031.98**			**335,515,031.98**
4. Balance as at December 31 of the current year	**501,280,000.00**	**4,586,371,742.92**			**95,557,338.59**			**5,183,209,081.51**

Legal representative:

Person in charge of accounting affairs:

Person in charge of accounting department:

Jiangsu Nantong Sanjian Construction Group CO., LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(All amounts are expressed in CNY unless otherwise stated)

I. Company Profile

1. Company Overview

Jiangsu Nantong Sanjian Construction Group Co., Ltd. (hereinafter referred to as "Company", "the Company"), formerly called Jiangsu Nantong No.3 Construction Group Co., Ltd. According to the shareholders' meeting resolution of former Jiangsu Nantong Sanjian Construction Group Co., Ltd. and the stipulations of Jiangsu Nantong Sanjian Construction Group Co., Ltd on April 5th, 2016. As sponsors, the original shareholders changed the type of company from the limited liability company to the incorporated company, furthermore, converted the net asset of Jiangsu Nantong No.3 Construction Group Co., Ltd. on December 31, 2015 to the invested capital of Jiangsu Nantong Sanjian Construction Group Co., Ltd. The company obtained 'Business License of Enterprise Legal Person' which was issued by the Nantong Haimen Administration for Industry and Commerce on April 6th, 2016 and the unified social credit code is 320684000141191. The registered capital of the Company was CNY 501.28 million at the time of establishment. So far, the registered capital of the Company is CNY 621.21779 million and the increasing capital during January to March of 2017 is CNY 25.013098 million. The legal representative is Huang Yuhui.

Main business activities: General contract for house construction, specialized contract for architectural decoration and decoration engineering, specialized contract for steel structure engineering, specialized contract for mechanical and electrical equipment installation engineering, general contract for municipal public works construction, specialized contract for fire protection facilities engineering, general contract for foundation and foundation engineering, specialized contract for mechanical and electrical installation works, electronic and intelligent engineering; (all above are operated by the qualification). Contracting overseas industrial and civil construction projects and domestic international tender works, the export of equipment, materials and dispatched labor are provided to meet the requirement of above-mentioned overseas projects; sending kinds of labors abroad (excluding seafarers); building material sales; equipment rental; building energy-saving technology development and design; construction technology development. (Projects subject to ratification in accordance with the law, the operating activities can be carried out after the approval of relevant departments.)

Headquarter address is 131 ShishanRoad Haimen Jiangsu .

2.Consolidated Financial Statement Scope

The scope of the Company's consolidated financial statements is based on control, and all subsidiaries controlled are included in the consolidation scope of the consolidated financial statements.

Change of consolidated financial statement scope is shown as follows:

2.1 The business entities that are newly incorporated into the scope of the merger, the structural entities or business entities forming control in the other way are shown in the following table: Name	Getting Way
Nanjing Garden Industrial Co., Ltd	Shares Transfer
Nantong Yucheng Construction Co., Ltd.	Shares Transfer
HaoJiaHengYe Construction Development Co., Ltd.	Shares Transfer
Jiangsu Jiangzhou Construction Development Co., Ltd	Shares Transfer
Shanghai Shouyi Enterprise Management Center (limited partnership)	New Set
Nantong Sanjian International Co., Ltd	New Set
Jiangsu Nantong Sanjian Construction Group Dalian Puwan New District Construction Engineering Co., Ltd	New Set
Jiangsu Nantong Sanjian Construction Group (HK) Co., Ltd.	New Set
Nantong Sanjian (Macao) Co., Ltd.	New Set

2.2 The business entities that are not incorporated into the scope of the merger, the structural entities or business entities forming control in the other way are shown in the following table:

Name	Reason for not being incorporated
Nantong Sanjian Construction Services Co., Ltd.	Shares Transfer
Nantong Chen Yu Kun Investment Co., Ltd.	Shares Transfer
Zhuhai Jianrong Investment Holdings Co., Ltd...	Shares Transfer
Haimen Sanjian Rural Microfinance Co., Ltd.	Shares Transfer
Huaian Dongqi Real Estate Co., Ltd.	Shares Transfer
Changshu Changhe Real Estate Co., Ltd.	Shares Transfer
Shanghai Hongmai Real Estate Co., Ltd.	Shares Transfer
Nantong Yuheng Real Estate Co., Ltd.	Shares Transfer
Jiangsu Nantong Sanjian Real Estate Development Co., Ltd.	Shares Transfer

Details of the sub companies incorporated into the consolidated financial statements show on 'VII.1 Interests in subsidiaries'.

Changes in the scope of consolidation show on 'VI, change in consolidated scope'.

II. Basis of Preparation of Financial Statements

1. Basis of preparation of financial statements

The company has prepared its financial statements on a going concern basis, and recognized and measured its accounting items in compliance with the Accounting Standards for Business Enterprises—Basic Standards and various specific accounting standards, and other relevant provisions on the basis of actual transactions and events.

2. Going Concern

Management believes that the company has the ability to continue as a going concern for at least 12 months since the financial statements date.

III. Significant Accounting Policies and Accounting Estimates

1. Statement of compliance with the ASBE

The financial statements of the company have been prepared in accordance with ASBE, and present truly and completely, the group's financial position as of December 31st 2016, and the Company's and results of operations and cash flows for the year then ended.

2. Accounting period

The Group has adopted the calendar year as its accounting year, i.e. from January 1st to December 31st.

3. Functional currency

The Company has adopted China Yuan (CNY) as functional currency.

4. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

4.1. Accounting treatment method for business combination under common control

Business combination under common control is accounted for under pooling of interest method.

Assets and liabilities obtained by the Company through business combination under common control shall be measured at the book value as stated in the combine's accounting record on the combination date. The share of the book value of the merged party's owner's equity in the consolidated financial statements is taken as the initial investment cost of long-term equity investments in individual financial statements. The capital reserve (stock premium or capital premium) is adjusted according to the difference between the book value of net asset acquired through combination and the book value of consideration paid for the combination (or total par value of shares issued). If the capital reserve (stock premium or capital premium) is insufficient to offset, the retained earnings shall be adjusted.

4.2. Accounting treatment method of business combination not under common control

The Company accounts for business combination not under common control under purchase method.

a) All the net identifiable assets, liabilities or contingent liabilities obtained by the Company through business combination not under common control shall be measured based on the fair values of assets paid, liabilities incurred or assumed and the equity securities issued as consideration for combination on the acquisition date, and differences between their fair values and book values shall be included in the

current profit and loss.

b) The cost of acquisition shall be respectively determined for the following conditions;
   i. Business combination of a transaction implementation, the combination cost shall be the sum of the fair values of the assets given, the liabilities incurred or assumed and the equity securities issued by the Company in exchange for the control on the acquisition date, and contingent considerations meeting the recognition conditions. The combination cost is the initial investment costs of long-term equity investments in individual financial statements.
   ii. Business combination through multiple transactions step by step to realized, the combination cost shall be the sum of the fair value measurement on the acquisition of the equity investment that holding before the acquisition date and cost of all the new investment on the acquisition date. Long-term equity investment cost in individual financial statements shall be the sum of the book value of the equity investment that holding before the acquisition date and cost of all the new investment on the acquisition date. Except for a single transaction.

c) The Company, on the acquisition date, allocates the combination costs between the identifiable assets and liabilities acquired
   i. All assets of the acquire obtained by the Company through business combination(not limited to those that have been recognized by the acquiree), other than intangible assets, shall be separately recognized and measured at fair value when the future economic benefits arising thereafter are expected to flow into the Company and the fair value can be reliably measured.
   ii. Intangible assets of the acquire obtained by the Company through business combination shall be separately recognized and measured at fair value when their fair values can be reliably measured.
   iii. All liabilities of the acquire obtained by the Company through business combination, other than contingent liabilities, shall be separately recognized and measured at fair value when fulfillment of relevant obligations are expected to bring future economic benefits to the Company and the fair value can be reliably measured.
   iv. Contingent liabilities of the acquire obtained by the Company through business combination shall be separately recognized as liabilities and measured at fair value when their fair values can be reliably measured.
   v. When the Company allocates the cost of business combination and recognizes the identifiable assets and liabilities acquired through combination, it shall not include any goodwill and deferred income taxes that have been recognized by the acquire before the business combination.

d) Treatment of the difference between the business combination costs and the fair value of net identifiable asset acquired from the acquire through combination
   i. The Company shall recognize the difference of the combination costs in excess of the fair value of the net identifiable asset acquired from the acquire through combination as goodwill.
   ii. The Company shall recognize the difference of the combination costs in short of

the fair value of the net identifiable asset acquired from the acquire through combination according to the following provisions:

1) Review the measurement of fair values of all the identifiable assets, liabilities and contingent liabilities acquired from the acquiree and the combination costs;
2) After the review, if the combination costs are still in short of the fair value of the net identifiable asset acquired from the acquiree through combination, include the difference in the current profit and loss.

4.3. Treatment of relevant expenses arising from the Company's business combination

a) Relevant expenses directly arising from the business combination of the Company (including the expenses for audit, legal services, evaluation and consultation or other intermediary costs for business combination) shall be included in the current profit and loss when they are incurred.

b) Commissions, fees and other expenses paid on issuance of bonds and undertaking of other debts for the business combination shall be included in the initial measurement amount of debt securities.
   i. Where the bonds are issued at discount or par value, that part of expenses will increase the amount of the discount;
   ii. Where the bonds are issued at premium, that part of expenses will decrease the amount of the premium.

c) Fees, commissions, and other transaction expenses paid on issuance of equity securities as combination consideration in the business combination shall be included in the initial measurement amount of equity securities.
   i. Where the equity securities are issued at premium, that part of expenses shall be deducted from capital reserves (stock premium);
   ii. Where the equity securities are issued at par value or discount, that part of expenses shall be deducted from the retained earnings.

5. Preparation of consolidated financial statements.

5.1. Consistency of accounting policies and accounting period

All the subsidiaries within the consolidation scope of consolidated financial statements shall adopt the same accounting policies and accounting periods as those of the Company. If the accounting policies or accounting periods of a subsidiary are different from those of the Company, the financial statements of the subsidiary, upon preparation of consolidated financial statements, shall be adjusted according to the accounting policies and accounting periods of the Company.

5.2. Preparation method of consolidated financial statements

The consolidated financial statements are based on the financial statements of the Company and its subsidiaries, and are prepared by the parent company according to other relevant information after the adjustment to long-term equity investments in subsidiaries under the equity method and the elimination of effects of the internal transactions between the Company and its subsidiaries and between the subsidiaries on the consolidated financial statement.

5.3.Reflection of excess losses incurred to a subsidiary in the consolidated financial

statements

In the consolidated financial statements, where the current losses undertaken by the parent company are in excess of its share of owners' equity in the subsidiary at the beginning of the period, the balance shall reduce the owners' equity (retained earnings) of the parent company; where the current losses undertaken by a subsidiary's non-controlling shareholders excess those non-controlling shareholders' share of owners' equity in the subsidiary at the beginning of the period, the balance shall reduce the non-controlling interests.

5.4. Changes in number of subsidiaries during the reporting period

a) Acquisition of subsidiaries during the reporting period

i. Treatment of acquiring subsidiaries from business combination under common control during the reporting period

During the reporting period, if the Company acquires subsidiaries from the business combination under common control, the Opening Balance in the consolidated balance sheet shall be adjusted. The income, expenses and profit of the newly acquired subsidiaries from the beginning to the end of the reporting period shall be included in the consolidated income statement. The cash flows of the newly acquired subsidiaries from the beginning to the end of the reporting period shall be included in the consolidated statement of cash flows.

ii. Treatment of acquiring subsidiaries from business combination not under common control during the reporting period

During the reporting period, if the Company acquires subsidiaries from the business combination not under common control, the Opening Balance in the consolidated balance sheet shall not be adjusted. The income, expenses and profit of the newly acquired subsidiaries from the acquisition date to the end of the reporting period shall be included in the consolidated income statement. The cash flows of the newly acquired subsidiaries from the acquisition date to the end of the reporting period shall be included in the consolidated statement of cash flows.

b) Treatment of disposing subsidiaries during the reporting period

During the reporting period, if the Company disposes subsidiaries, the Opening Balance in the consolidated balance sheet shall not be adjusted. The income, expenses and profit of the newly disposed sub diaries from the beginning to the disposal date shall be included in the consolidated income statement. The cash flows from the beginning to the disposal date shall be included in the consolidated statement of cash flows.

6. Classification of joint venture arrangements and the accounting treatment method of common operation

6.1. Classification of joint venture arrangements

A joint arrangement is classified as either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the joint operators have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint

arrangement whereby the joint ventures only have the rights to the net assets under this arrangement.

A joint arrangement that is not structured through a separate vehicle shall be classified as a joint operation. A separate vehicle refers to a separately identifiable financial structure, including separate legal entities or entities without a legal personality but recognized by statute.

A joint arrangement that is structured through a separate vehicle is usually classified as a joint venture. However, when a joint arrangement provides clear evidence that it meets any of the following requirements and complies with applicable laws and regulations as a joint operation:

a) The legal form of the joint arrangement indicates that the parties that have joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement.

b) The terms of the joint arrangement specify that the parties that have joint control have the rights to the assets, and the obligations for the liabilities, relating to the arrangement.

c) Other facts and circumstances indicate that the parties that have joint control have rights to the assets, and the obligations for the liabilities, relating to the arrangement---for example, the parties that have joint control have rights to substantially all of the output of the arrangement, and the arrangement depends on the parties that have joint control on a continuous basis for settling the liabilities of the arrangement.

6.2. Accounting by parties of a joint operator

A joint operator shall recognize the following items in relation to its interest in a joint operation, and account for them in accordance with relevant accounting standards:

a) Its solely-held assets, and its share of any assets held jointly;
b) Its solely-assumed liabilities, and its share of any liabilities incurred jointly;
c) Its revenue from the sale of its share of the output arising from the joint operation;
d) Its share of the revenue from sale of the output by the joint operation; and
e) Its solely-incurred expenses and its share of any expenses incurred jointly.

7. Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the company's short-term (due within 3 months from purchase date), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Foreign currency transactions and translation of foreign currency statements

8.1. Accounting method of foreign currency transactions

a) Initial recognition of foreign currency transactions

For foreign currency transactions incurred, the Company converts the amount in foreign currency into the amount in functional currency at the spot exchange rate (middle rate) announced by the People's Bank of China on the transaction date.

Among them, for foreign currency exchange occurred or transaction involving foreign currency exchange, the Company converts at the exchange rate actually adopted on the transaction date.

b) Adjustment or settlement on the balance sheet date or settlement date

On the balance sheet date or the settlement date, the Company handles foreign currency monetary items and foreign currency non-monetary items separately in accordance with the following methods:

i. Accounting principles for handling foreign currency monetary items

For foreign currency monetary items, on the balance sheet date or the settlement date, the Company converts them by using the spot exchange rate (middle rate) prevailing on the balance sheet date or settlement date, and adjusts the amount in functional currency of foreign currency monetary items in respect of the difference arising from exchange rate fluctuations, which shall be treated as exchange difference at the same time. Among them, the exchange differences arising from foreign currency borrowings relating to the acquisition, construction or production of assets eligible for capitalization shall be included in the costs of assets eligible for capitalization; other exchange differences shall be included in the current financial expenses.

ii. Accounting principles for handling foreign currency non-monetary items

1) For foreign currency non-monetary items measured at historical cost, the Company shall convert them at the spot exchange rate (middle rate) prevailing on the transaction date, with their amounts in functional currency remaining unchanged and no exchange differences incurred.

2) For an inventory that is measured at the lower of its costs or its net realizable values, if the net realizable value is determined in foreign currency, the Company, when determining the value of the inventory at the end of the period, shall firstly convert the net realizable value into functional currency and then compare it with the inventory cost reflected in functional currency.

3) Non-monetary items measured at fair value that is reflected in foreign currency at the end of the period, the Company shall firstly translate the foreign currency into the amount in functional currency at the spot exchange rate on the date when the fair value is determined, and then compare it with the original functional currency amount. Difference between the translated functional currency amount and the original functional currency amount is treated as profit or loss from changes in fair value (including changes in exchange rate) and is recognized in current profit and loss.

8.2. Accounting treatment method for translation of foreign currency statements

a) The Company shall translate the financial statements of foreign operations in accordance with the following methods:

i. Assets and liabilities in the balance sheets shall be translated at the spot exchange rates on balance sheet date. Shareholders' equity items, except for the item of "undistributed profit", are translated at the spot exchange rates on the dates when the transactions occur.

ii. Revenue and expense items in the income statement are translated at the spot exchange rates on the dates when the transactions occur or at the exchange rate determined in a systematical and reasonable method and similar to the spot exchange rate on the day when the transactions occur.

Differences arising from the above translations of foreign currency financial statements are separately listed under other "comprehensive income" in the consolidated balance sheet.

The translation of comparative financial statements is handled by reference to the above approach.

b) The Company shall translate the financial statements of foreign operations that are in virulent inflation economy in accordance with the following methods:

i. The Company restates the items in the balance sheet by using the general price index, and restates the items in the income statement by using the changes in general price index, and then converts those items at the spot exchange rate on the latest balance sheet date.

ii. Where the foreign operations are no longer in virulent inflation economy, the Company ceases to restate the financial statements and converts the financial statements restated according to the price level on such cease.

c) Where the Company disposes of an overseas business, it shall transfer the foreign currency financial statements exchange difference, which relates to the business disposed of and is presented under the items of the other comprehensive income in the balance sheet, from the other comprehensive income item to the gain or loss on disposal for the current period. If the overseas business is partly disposed of, the foreign currency financial statements exchange difference shall be calculated in proportion to the percentage of disposal and transferred to gain or loss on disposal for the current period.

9. Financial Instruments

Financial instruments include financial assets, financial liabilities and equity instruments.

9.1. Classification of financial instruments

a) Classification of financial assets

Based on business characteristics, investment strategies and risk management requirements, the Company classifies the financial assets it has obtained into the following four categories: (1) financial assets measured at fair value through current profit or loss; (2) held-to-maturity investments; (3) loans and receivables; and (4) available-for-sale financial assets.

Financial assets measured at fair value through current profit and loss include: (1) financial assets held for trading ;(2)financial assets directly designated to be measured at fair value through current profit and loss;(3)investments in subsidiaries that shall not be consolidated by the investment entities ;(4)investments held by venture capital organizations, mutual funds or similar entities.

The equity investment which hasn't control , joint control or significant influence over the investee, based on business characteristics, investment strategies and risk management requirements, can be divided into the first kind of financial assets measured at fair value through current profit and loss or the fourth kind of available-for-sale financial assets. In some special cases, the equity investment can be measured under the cost method.

b) Classification of financial liabilities

Based on business characteristics and risk management requirements, the

Company classifies the financial liabilities it undertakes into the following two categories: (1) financial liabilities measured at fair value through current profit and loss (including financial liabilities held for trading and financial liabilities directly designated to be measured at fair value through current profit and loss); and (2) other financial liabilities.

9.2. Recognition basis and measurement method of financial instruments

a) Recognition basis of financial instruments

When the Company becomes a party to a financial instrument, it shall recognize a financial asset or financial liability.

b) Measurement method of financial instruments

i. Financial assets or financial liabilities measured at fair value through current profit and loss: they are initially measured at the amount of fair value upon acquisition, and relevant transaction expenses are included in the current profit and loss when incurred. For cash dividends declared but not distributed or bond interest matured but not drawn that have been included in the actual price paid, they shall be separately recognized as dividends receivable or interest receivable. Cash dividends or bond interest gained during the holding period shall be recognized as investment income. On the balance sheet date, they shall be measured at fair values and the changes in their fair values shall be included in current profit or loss. When disposing of a financial asset held for trading, the Company recognizes the difference between the payment actually received (dividends receivable or interest receivable, if any, shall be deducted) and the book value of the financial asset held for trading on the disposal date, and transfers the accumulative amount previously included in profit or loss on changes in fair value to the investment income.

ii. Held-to-maturity investments: they are initially measured at the total amount of their fair values upon acquisition and related transaction expenses. For bond interest matured but not drawn that is included in the actual price paid, they are independently recognized as interest receivable. Interest income is calculated and recognized during the holding period according to the amortized cost and effective interest rates, and included in the investment income. The effective interest rate is determined upon acquisition, and remains unchanged during the expected duration or any applicable shorter period. On the balance sheet date, they are measured at amortized costs. Upon disposal, the difference between the actual proceeds (interest receivable, if any, shall be deducted) and the book value of the held-to-maturity investment is recognized as investment income.

iii. Loans and Receivables: Loans and Receivables are mainly loans granted from financial entities and creditor's rights receivable arising from external sales of goods or rendering of service by general entities, Loans and receivables are measured at amortized cost, using effective interest method. Loans are initially measured at principal and related transaction expenses based on the loans granted at market conditions. For creditor's rights receivable arising from external sales of goods or rendering of service by general entities their initial recognition amounts shall be the contract price or agreement price receivable from the

purchaser Interest income during the holding period is recognized under the effective interest method. Receivables are measured at their amortized costs on the balance sheet date. Upon recovery or disposal, the difference between the price received and the book value of loans and receivables are included in the current profit and loss.

iv. Available-for-sale financial assets: they are initially recognized at the sum of fair value upon acquisition and relevant transaction expenses. For cash dividends declared but not distributed or bond interest matured but not drawn that has been included in the actual price paid, it shall be separately recognized as dividends receivable or interest receivable. Cash dividends or bond interest gained during the holding period shall be recognized as investment income. On the balance sheet date, the available-for-sale financial assets are measured at fair values and the changes in their fair values are included in other comprehensive income. Upon disposal, the difference between the payment actually received (dividends receivable or interest receivable, if any, shall be deducted) and the book value of an available-for-sale financial asset shall be included in investment income; and meanwhile, the amount arising from the accumulated changes in fair value, which have been previously included in other comprehensive income, shall be transferred out and included in the investment profit or loss.

v. Other financial liabilities: they are initially recognized at fair values at the time of occurrence plus related transaction costs. Other financial liabilities, whose interest expenses are recognized by using the effective interest method, are measured at their amortized costs on the balance sheet date.

9.3. Recognition basis and measurement method of transfer of financial assets

a) Derecognition criteria of financial assets

When transfer of financial assets occurs, if nearly all of the risks and rewards of ownership of the financial assets have been transferred to the transferee, the Company derecognizes the financial assets; if nearly all of the risks and rewards of ownership of the financial assets are retained, the Company shall not derecognize the financial assets.

When determining whether the transfer of a financial asset meets the above derecognition criteria of financial assets, the Company adopts the principle of substance over form.

b) Treatment of transfer of financial assets satisfying the criteria of derecognition

The Company classifies the transfer of a financial asset into the entire transfer and the partial transfer of financial asset.

i. If the entire transfer of financial asset satisfies the criteria of derecognition, the difference between the amounts of the following two items shall be included in the current profit and loss:

1) The book value of the transferred financial asset;

2) The sum of the consideration received from the transfer and the accumulated amount of the changes in fair value originally and directly included in other comprehensive income (the situation where the financial asset transferred is an available-for-sale financial asset is involved in).

ii. If the partial transfer of financial asset satisfies the criteria of derecognition, the entire book value of the transferred financial asset shall be divided between the derecognized and recognized parts according to their respective fair values and the difference between the amounts of the following two items shall be included in the current profit and loss:

1) The book value of derecognized part;

2) The sum of the consideration for the derecognized part and the portion of derecognition corresponding to the accumulated amount of the changes in fair value originally and directly included in other comprehensive income (the situation where the financial asset transferred is an available-for-sale financial asset is involved in).

c) Treatment of transfer of financial assets not satisfying the criteria of derecognition

If the transfer of financial assets does not meet the derecognition criteria, the financial assets shall continue to be recognized, and the consideration received will be recognized as a financial liability.

9.4. Derecognition criteria of financial liabilities

a) A financial liability shall be wholly or partly derecognized if its present obligations are wholly or partly dissolved. Where the Company enters into an agreement with a creditor so as to substitute the existing financial liabilities with any new financial liability, and the new financial liability is substantially different from the contractual stipulations regarding the existing financial liability, it shall derecognize the existing financial liability, and recognize a new one at the same time.

b) Where substantial revisions are made to some or all of the contractual stipulations of the existing financial liability, the Company shall derecognize the existing financial liability wholly or partly, and at the same time recognize the financial liability with revised contractual stipulations as a new financial liability.

c) Upon whole or partial derecognition of financial liabilities, the difference between the book value of the financial liabilities derecognized and the consideration paid (including non-cash assets surrendered or new financial liabilities assumed) shall be included in the current profit and loss.

d) Where the Company repurchases part of its financial liabilities, it shall, on the repurchase date, allocate the entire book value of financial liabilities according to the comparative fair value of the part that continues to be recognized and de-recognized part. The difference between the book value allocated to the derecognized part and the considerations paid (including non-cash assets surrendered and the new financial liabilities assumed) shall be included in the current profit and loss.

9.5. Method to determine the fair value of financial instrument

a) The fair value of a financial asset or financial liability for which there is an active market shall be determined in accordance with the quoted price in such active market at the measurement date.

b) The fair value of a financial asset or financial liability for which there isn't an active market shall be using valuation techniques. The recognition of the specific principles and methods are dealt with under "Accounting Standard for Business Enterprises No.39—Fair Value Measurement".

9.6. Criteria to identify, way to test and method to provide for the impairment of financial assets (excluding receivables)

On the balance sheet date, the Company shall check the book values of its financial assets (excluding the financial assets measured at fair value through current profit and loss), whether on an individual basis or on a combination basis, recognizes impairment losses on the financial assets with objective evidence of impairment, and provides reserves for the impairment. The objective evidence of impairment of a financial asset includes the serious financial difficulties faced by the issuer or debtor, potential bankruptcy or other financial reorganization incurred to the debtor, and the incapability of the financial asset to be continuously traded in active market caused by the serious financial difficulties incurred to the issuer, severe or prolonged decline in the fair value of equity instrument investment and other adverse situations.

a) Methods to test and make provision for impairment of held-to-maturity investment

On the balance sheet date, if there is any objective evidence showing that any impairment has occurred to a held-to-maturity investment, the impairment loss is recognized at the difference between its book value and its present value of estimated future cash flows.

i. For a held-to-maturity investment that is individually significant, the Company conducts separate impairment test. If there is any objective evidence of impairment, the Company recognizes the impairment losses at the difference of its present value of estimated future cash flows in short of its book value, and shall accordingly make the provision for such impairment.

ii. For held-to-maturity investments that are individually insignificant and held-to-maturity investments that are individually significant but have no impairment according to the separate test, they are divided into several groups according to similar credit risk characteristics. The impairment losses and provisions for impairment of these groups are calculated and determined based on certain proportions of their balances on the balance sheet date.

b) Methods to test and make provision for impairment of available-for-sale financial asset

On the balance sheet date, if there is any objective evidence showing that an available-for-sale financial asset is impaired, the impairment provision shall be accrued and the impairment loss shall be recognized. For an equity instrument investment, if significant or non-temporary decline in fair value of the available-for-sale equity investment is found after giving comprehensive consideration to relevant factors, it can be concluded that the available-for-sale equity investment is impaired. The "significant decline" refers to a cumulative decline in the fair value exceeding 50%of the cost; and the "non-temporary decline" refers to a continuous decline in the fair value of more than 12 months.

When making provision for the impairment of an available-for-sale financial asset, the accumulated loss arising from the decline in fair value that is previously included in other comprehensive income shall be transferred out and included in the current profit and loss. The accumulated loss transferred out shall be balance of the available-for-sale financial asset's initial acquisition cost after deducting the principal

recovered and amortized amount, present fair value and impairment loss previously recorded in profit or loss.

After the recognition of an impairment loss, if there is objective evidence showing that the value of financial assets has been recovered and such recovery is objectively related to the events occurring after the recognition of such loss, the impairment loss previously recognized shall be reversed, the impairment loss of available-for-sale equity investment shall be reversed and recognized as other comprehensive income, and the impairment loss of available-for-sale debt instrument shall be reversed and included in the current profit and loss.

For an equity instrument investment that has no quoted price in active market and whose fair value cannot be reliably measured, or a derivative financial asset that is linked to the equity instrument and settled through delivery of such equity instrument, when they are impaired, the difference between the book value of the financial asset and the present value of future cash flows discounted based on the prevailing market rate of return for a similar financial asset shall be recognized as an impairment loss and included in the current profit and loss. Once recognized, the impairment loss shall not be reversed.

9.7. Accounting treatment method of reclassifying the undue held-to-maturity investments as available-for-sale financial assets

Where it is not suitable to classify one investment as a held-to-maturity investment any more due to the change in intention or ability to hold the investment, the Company shall reclassify such investment as available-for-sale financial assets; where the Company partly disposes or reclassifies a held-to-maturity investment large in amount, and such disposal or reclassification does not arise from any independent event that is not under the control of the Company, not expected to recur and difficult to reasonably anticipated, the remaining portion of the investment shall also be classified as available-for-sale financial asset.

10. Receivables

10.1. Recognition criteria and provision method of bad debts of individually significant receivables

a) Recognition criteria of individually significant receivables

Individually significant receivables refer to accounts receivable whose Closing Balances are over 10 million.

b) Provision method of individually significant receivables

On the balance sheet date, the Company separately conducts impairment tests on those individually significant receivables. If there is any objective evidence of impairment, an impairment loss is recognized and a provision for bad debt is made, according to the difference of the present value of estimated future cash flows in short of the book value; Individually significant receivables that are proved to be not impaired according to the tests shall be incorporated into other individually insignificant receivables, and their provisions for bad debts shall be made by using the aging analysis method based on their Closing Balances.

Objective evidence of impairment incurred to receivables includes: (1) the debtor has significant financial difficulty; (2) the debtor violates contractual terms (such as

the breach of contract or delay in repaying interest or principal); (3) a concession is made to the debtor in financial difficulty after considering economic or legal reasons; (4) the debtor is likely to face bankruptcy or other debt restructuring.

10.2. Receivables whose bad debt provisions are made by portfolio

a) Basis to determine portfolio

Aging portfolios

Receivables that are individually significant but not accrued bad debt provisions after separate tests, and receivables that are individually insignificant after deduction of bad debt provisions separately made, shall all be classified into portfolios of receivables with similar credit risk characteristics by aging.

b) Method of making provision for bad debt by portfolio

As for aging portfolios, after aging analysis, the Company makes bad debt provisions at the following proportions:

Aging	Proportion of provision for accounts receivable (%)	Proportion of provision for other receivables (%)
Within 1 Year (Inclusive)	3	3
1-2 years	10	10
2-3 Years	20	20
3-4 Years	30	30
4-5 Years	50	50
Over 5 Years	100	100

10.3. Accounts receivable that are individually insignificant but separately accrued bad debt provisions

Individually insignificant receivables refer to accounts receivable whose single amount is less than 10 million.

The Company carries out separate impairment tests on receivables that are individually insignificant but have the following characteristics (such as receivables involved in dispute or litigation with the debtor and requiring arbitration; and receivables for which there are clear indications that the debtor is unable to fulfill the repayment obligations). If there is any objective evidence of impairment, the Company shall recognize the impairment loss and make the bad debt provision according to the difference of the present value of future cash flows in short of the book value. Meanwhile, for receivables that are individually insignificant after the bad debt provisions separately made are deducted, their bad debt provisions shall be made according to principles applied to portfolios of receivables with similar credit risk characteristics by aging.

11. Inventory

11.1. Classification of Inventory

Inventories are classified as: goods in transit, raw materials, revolving materials (including

packing materials and low-cost consumables),goods in progress (production costs), finished products (stock commodities),property development cost, developed real-estate products, consumable biological assets etc.

11.2. Measurement method of dispatched inventories

Dispatched materials and stock commodities are accounted for by using weighted average method, Dispatched construction is accounted for by using specific identification method, developed real-estate products and consumable biological assets are accounted for by using weighted average method.

11.3. Basis to determine net realizable values of inventories and method of provision for diminution value of inventories

a) Determination basis of net realizable values of inventories

i. In normal operation process, for merchandise inventories held directly for sale, including stock commodities (finished goods) and materials for sale, their net realizable values are determined at their estimated selling prices minus their estimated selling expenses and relevant taxes and surcharges.

ii. In normal operation process, for material inventories that need further processing, their net realizable values are determined at the estimated selling prices of finished goods minus estimated costs to completion, estimated selling expenses and relevant taxes and surcharges.

iii. For inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price. If the quantities of inventories specified in the sales contracts are less than the quantities held by the Company, the net realizable value of the excess portion of inventories shall be based on general selling prices.

iv. The materials held for production shall be measured at cost if the net realizable value of the finished products is higher than the cost. If a decline in the value of materials shows that the net realizable value of the finished products is lower than the cost, the materials shall be measured at the net realizable value.

b) Provision for diminution in value of inventory

i. Provisions for diminution in value of inventory are made at the lower of costs or net realizable values on a single basis.

i. ii. For inventories that have large quantities but low value, the Company provides for diminution in value of inventory on a category basis.

ii. iii. For inventories that are related to product ranges produced and sold in the same district or used for the same or similar ultimate purpose and are difficult to be measured separately from other inventories, the Company provides for diminution in value of inventory on a consolidation basis.

11.4. Inventory counting

The Company adopts perpetual inventory system and takes physical inventory counts on a regular basis.

11.5. Amortization method of revolving materials

a) Amortization method of low-cost consumables:
Low-cost consumables are amortized in full at once Amortization method of packaging materials
b) Packing materials are amortized in full at once when fetched for use by the Company.

12. Non-current assets held-for-sale

12.1. Scope of non-current assets held-for-sale

Non-current assets held-for-sale include individual asset and disposal group

Disposal group is a group of assets that are disposed as a whole through sales or other ways in one transaction and liabilities directly related to these assets delivered in the transaction.

12.2. Recognition criteria of non-current assets held-for-sale

The Company recognizes its component (or non-current asset) that satisfies all of the following conditions as non-current assets held-for-sale:

a) The component can be sold immediately under its current circumstance and only according to common and accustomed clauses of selling such kind of component;

b) The Company has already made a decision to dispose the component. If it requires shareholders' approval according to regulations, it has already received approval from the general meeting of stockholders or relative authority institution;.

c) The Company has already made an irrevocable transfer agreement with the transferee;

d) The transfer will be completed within one year.

12.3. Accounting treatment and. presentation of non-current assets held-for-sale

For the non-current asset held-for-sale, the Company should adjust the estimated net residual value of the non-current asset to make its estimated net residual value reflect the amount of its fair value less cost of disposal. However, the estimated net residual value should not exceed original book value of the non-current asset when it satisfies recognition criteria of non-current asset held for sale.

Depreciation or amortization should not be provided for the non-current asset held for sale. The non-current asset held for sale is measured at the lower of its book value and fair value less cost of disposal at balance sheet date.

No matter the asset is classified as individual asset held for sale or asset belonging to disposal group, the asset is presented as current assets under "assets classified as held for sale" item; liabilities related to the asset transferred in the disposal group held for sale is presented as current liabilities under "liabilities classified as held for sale" item in the balance sheet.

13. Long-Term Equity Investment

13.1. Recognition of the initial investment costs of long-term equity investments

a) For long-term equity investments from business combinations, the initial investment cost shall be recognized in accordance with the provisions mentioned in III- 5, Accounting Method for Long-term Equity Investment from Business Combinations under Common Control and Business Combination not under Common Control.

b) Except for the long-term equity investments arising from business combinations, those obtained by other means shall recognize their initial investment costs in accordance with the following provisions:

i. For the long-term equity investments obtained by cash paid, non-monetary assets paid or the equity securities issued by the acquirer or otherwise, the Company recognizes their fair value as the initial investment costs.

ii. For the long-term equity investments acquired by the issue of equity securities, the initial investment cost shall be the fair value of the equity securities issued. If the fair value of the long-term equity investment obtained is more reliable than equity securities issued, the initial investment cost shall be the fair value of the long-term equity investment made by the investors. The cost directly attributable to the issue of equity securities, including fees, commissions, etc., write-downs premium price of the issue, if premium price of the issue is insufficient, write-downs surplus reserve and undistributed profit in turn. For the long-term equity investments acquired by the issue of debt securities, reference through the issuance of equity securities.

iii. For long-term equity investments obtained by debt restructuring, the Company recognizes the fair value of shares of debt-for-equity swap as the initial investment costs.

iv. For long-term equity investments obtained by non-monetary assets exchange, under the condition that an exchange of non-monetary assets is of commerce nature and the fair value of assets exchanged can be reliably measured, non-monetary assets traded in is initially stated at the fair value of the assets traded out, unless there is conclusive evidence indicating that the fair value of the assets traded in is more reliable; if the above conditions are not satisfied, initial investment costs of long-term equity investments traded in shall be recognized at the book value of the assets traded out and the relevant taxes and surcharges payable.

Expenses, taxes and other necessary expenses incurred to the Company and that are directly related to the obtainment of long-term equity investments shall be recognized as the initial investment costs of long-term equity investments.

For long-term equity investments obtained by the Company by any means, cash dividends or profit declared but not yet distributed in the actual payments or the consideration actually paid for the investment shall be separately accounted as dividends receivable and shall not constitute the costs of long-term equity investments.

13.2. Subsequent measurement and recognition of gains and losses of long-term equity investments

a) Long-term equity investments measured under the cost method

i. Long-term equity investments that can control the investee are measured under the cost method.

ii. For long-term equity investments accounted at the cost method, except cash dividends or profit declared but not yet distributed which are included in the actual payments or the consideration actually paid for the investment, the cash dividends or profit declared by the investee shall be recognized as the investment income irrespective of net profit realized by the investee before investment or after investment.

b) Long-term equity investments measured under the equity method

i. For the long-term equity investment which has joint control or significant influence over the investee, the equity method is adopted for accounting.

ii. For long-term equity investments measured at the equity method, if the initial investment costs are higher than the investor's attributable share of the fair value of the investee's identifiable net assets, no adjustment will be made to the initial costs of the long-term equity investments; if the initial investment costs are lower than the investor's attributable share of the fair value of the investee's identifiable net assets, the difference shall be recognized in current profit and loss and at the same time the adjustment will be made to the initial costs of the long-term equity investments.

iii. After obtaining the long-term equity investments, the Company shall, according to the shares of net profit and other comprehensive income realized by the investee that shall be enjoyed or borne by the Company, recognize the profit and loss on the investments and adjust the book value of the long-term equity investments. When recognizing the net profit and losses and other comprehensive income of the investee that the Company shall enjoy or bear, the Company shall make a recognition and calculation based on the net book profit and losses of the investee after appropriate adjustments. However, where the Company is unable to obtain the relevant information due to failure to reasonably determine the fair value of the investee's identifiable assets, minor difference between the investee's identifiable assets and the book value thereof or other reasons, the profit or losses on the investments shall be directly calculated and recognized based on the net book profit and losses of the investee. The Company shall calculate the part distributed from cash dividends or profit declared by the investee and correspondingly reduce the book value of the long-term equity investments.

When recognizing the income from investments in associates and joint ventures, the Company shall write off the part of incomes from internal unrealized transactions between the Company and associates and joint ventures which are attributable to the Company and recognize the profit and loss on investments on such basis. Where the losses on internal transactions between the Company and the investee fall into the scope of losses on assets impairment, full amounts of such losses shall be recognized. Profit and loss from internal unrealized transactions between the Company's subsidiaries included into the combination scope and associates and joint ventures shall be written off according to the above principles and the profit and loss on investments thereafter shall be recognized on such basis.

When the share of net loss of the investee attributable to the Company is recognized, it is treated in the following sequence: Firstly, write off the book value of the long-term equity investments; where the book value of the long-term equity investments is insufficient to cover the loss, investment losses are recognized to the extent that book value of long-term equity which form net investment in the investee in other substances and the book value of long-term receivables shall be written off; after all the above treatments, if the Company still assumes additional obligation according to investment contracts or

agreements, the obligation expected to be assumed should be recognized as provision and included into the investment loss in the current period. If the investee is profitable in subsequent accounting periods, the Company shall treat the loss in reverse order against that described above after deducting unrecognized share of loss: i.e. write down the book value of the recognized provision, then restore the book value of long-term interests which substantially form net investments in the investee, then restore the book value of long-term investments, and recognize investment income at the same time.

13.3. Basis for judgment of common control or significant influence over the investee

a) Basis for judgment of common control over investee

Common 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. Relevant activities of an arrangement usually include selling and purchasing of goods or services, managing financial assets, acquiring or disposing of assets, researching and developing activities and financing activities. A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement. The parties have rights to the assets, and obligations for the liabilities, relating to the arrangement, which is a joint operation, but not a joint venture.

b) Basis for judgment of significant influence over investee

The term 'significant influence' refers to the power to participate in decision-making on the financial and operating policies of the investee, but with no control or joint control over the formulation of these policies. Where the Company is able to exert significant influence over the investee, the investee is its associate.

14. Investment property

14.1. Scope of investment property

Investment property is the property that is held to earn rent or capital appreciation or both and can be measured and sold separately. The company's investment property includes buildings already rent, land use right already rent, and land use right held for appreciation and then sold.

14.2. Recognition of investment property

Investment property can be recognized when satisfying the following conditions at the same time:

a) It is probable that the economic benefits relevant to the investment property will flow into the Company.

b) The cost of the investment property can be measured reliably

14.3. Subsequent measurement of investment property using cost model

The company uses the cost model for subsequent measurement of the investment property at the balance sheet date.

a) Depreciation and amortization method of investment property

i. For buildings using cost model as subsequent measurement, referring to subsequent measurement of fixed assets, depreciates on a monthly basis.

ii. For land use right using cost model as subsequent measurement, referring to subsequent measurement of intangible assets, amortizes on a monthly basis.

15. Fixed Assets

15.1. Recognition of Fixed Assets:

Fixed assets refer to tangible assets held for the purpose of producing commodities, providing services, renting or business management with useful life exceeding one accounting year. Fixed assets are recognized when the following criteria are satisfied simultaneously:

a) It is probable that the economic benefits relating to the fixed assets will flow into the Company;

b) The cost of the fixed assets can be measured reliably.

15.2. Depreciation of Fixed Assets

a) Except for the fixed assets that have been fully depreciated but are still in use and the land, the Company makes provisions for depreciation of all fixed assets.

b) Depreciation of fixed assets of the Company is provided on a straight-line basis from the month immediately following the month when they reach the working condition for their intended use. The depreciation amount and depreciation rate shall be calculated and recognized according to the category, estimated useful lives and estimated net residual value rate of fixed assets and respectively included into the costs of the relevant assets or the current profit and loss by purpose.

c) Category, estimated useful lives, estimated net residual value rate and annual depreciation rate of fixed assets are listed as follows:

Category of Fixed Asset	Estimated Useful Life (Yr)	Estimated Residual Value Rate (%)	Annual Depreciation Rate (%)
Buildings& Constructions	20	5	4.75
Machinery Equipment	5-10	5	19.00-9.50
Transportation Equipment	4	5	23.75
Electronic & office equipment	3	5	31.67

When making provision for impairment on fixed assets, the Company shall recalculate the depreciation rate and depreciation amount according to the book value, the estimated net residual value rate and useful lives of the fixed assets.

On the balance sheet date, the Company reviews the estimated useful life, estimated net residual value rate and depreciation method of the fixed assets. If there is any change, they shall be treated as changes in accounting estimate.

a) For decoration costs of fixed assets that are satisfied with capitalization conditions, depreciation is provided for on a straight-line basis separately, during the shorter period of the two decoration periods and useful lives of the fixed assets.

b) For fixed assets acquired through finance lease, if the ownership of the leasing assets can be determined reasonably, make depreciations during the useful life of the leasing assets. If the ownership of the leasing assets cannot be determined reasonably, make depreciations during the shorter period of the lease term and the useful life of the leasing assets.

15.3. Recognition Standard, Valuation Method and Depreciation Method for Fixed Assets Acquired under Financing Lease

a) Recognition standard for fixed assets acquired under financing lease

At the inception of the lease, the Company recognizes the leased fixed assets meeting the standards for financial leases as fixed assets acquired under financing leases.

b) Valuation method for fixed assets acquired under financing lease

At the inception of the lease, the Company shall state the assets acquired under financing lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments, as well as the initial and direct expenses occurred, recognize a long-term payable at the amount of the minimum lease payments, and shall charge the difference of the lower of the fair value of the leased assets or the present value of the minimum lease payments and the minimum lease payments to unrecognized finance expenses. Unrecognized finance expenses shall be amortized at the effective interest rate method in each period during the lease term.

c) Depreciation for Fixed Assets Acquired under Financing Lease

Adapt the same depreciation method as the one used on other fixed assets owned by the company. If there is reasonable assurance that the Company will obtain the ownership of the leased assets when the lease term expires, the leased assets should be depreciated over its useful life; if there is no reasonable assurance that the Company will obtain the ownership of the leased assets when the lease term expires, the leased assets should be depreciated over the shorter of the lease term or the useful life of the leased assets.

16. Construction in Progress

16.1. Categories of Constructions in Progress

Constructions in progress are accounted on an individual project basis.

16.2. Criteria of Conversion of Constructions in Progress into Fixed Assets

The book entry values of the fixed assets are stated at total expenditures incurred before construction in progress reaches the working condition for their intended use. For self-operating projects, total expenditures are measured according to the expenditures of direct materials, direct labor, direct measurement mechanical construction costs and other expenditures; for contracting projects, total expenditures are measured according to project costs payable and other expenditures. Borrowing costs incurred before the projects that are undertaking with borrowing costs reach working condition for their intended use and meeting the condition for capitalization shall be capitalized and included into the costs of construction in progress.

For construction in progress that has reached working condition for intended use but for which the completion of settlement has not been handled, it shall be transferred into fixed assets at the estimated value according to the project budget, construction price or actual cost, etc. from the date when it reaches the working condition for intended use and the fixed assets shall be depreciated in accordance with the Company's policy on fixed asset depreciation; adjustment shall be made to the estimated value based on the actual cost after the completion of settlement is handled, but depreciation already provided will not

be adjusted.

17. Borrowing costs

17.1. Scope of borrowing costs

The Company's borrowing costs include interest thereon, amortization of discounts or premiums, ancillary expenses and exchange differences incurred from foreign currency borrowings, etc.

17.2. Recognition principles of capitalization of borrowing costs

The borrowing costs incurred to the Company and directly attributable to the acquisition and construction or production of assets eligible for capitalization should be capitalized and recorded into relevant asset costs; other borrowing costs should be recognized as costs according to the amount incurred and be included into the current profit and loss.

Assets eligible for capitalization include fixed assets, investment properties, inventories and other assets which may reach the working condition for their intended use or sale by acquisition and construction or production activities for quite long time.

17.3.Recognition of capitalization period of borrowing costs

a) Recognition of commencement of capitalization of borrowing costs

Borrowing costs may be capitalized when asset disbursements have already been incurred, borrowing costs have already been incurred and the acquisition and construction or production activities which are necessary to prepare the assets for their intended use or sale have already been started. Among which, asset disbursements include those incurred by cash payment, the transfer of non-cash assets or the undertaking of interest-bearing debts for acquiring and constructing or producing assets eligible for capitalization.

b) Recognition of period of capitalization suspension of borrowing costs

If the acquisition and construction or production activities of assets eligible for capitalization are interrupted abnormally and this condition lasts for more than three months, the capitalization of borrowing costs should be suspended. The borrowing costs incurred during interruption are charged to profit or loss for the current period, and the capitalization of borrowing costs continues when the acquisition and construction or production activities of the asset resume. If the interruption is necessary for the acquisition and construction or production to prepare the assets for their intended use or sale, the capitalization of borrowing costs should continue.

c) Recognition of period of capitalization cessation of borrowing costs

Capitalization of borrowing costs should cease when the acquired and constructed or produced assets eligible for capitalization have reached the working condition for their intended use or sale. Borrowing costs incurred after the assets eligible for capitalization have reached the working condition for their intended use or sale should be recognized as the current profit and loss when they incur.

If parts of the acquired and constructed or produced assets are completed separately, each part may be used or sold externally in the process of

continuous construction of other parts and the necessary acquisition or production activities have been substantially completed to make the part of assets reach the working condition for their intended use or sale, the capitalization of borrowing costs related to the part of assets should be ceased; if parts of the acquired and constructed or produced assets are completed separately but the assets cannot be used or sold externally until overall completion, the capitalization of borrowing costs should cease at the time of overall completion of the said assets.

17.4.Recognition of capitalized amounts of borrowing costs

a) Recognition of capitalized amounts of interest on borrowing costs

During the period of capitalization, capitalized amount of the interest of each accounting period (including amortization of discounts or premiums) shall be recognized according to the following provisions:

i. As for special borrowings borrowed for acquiring and constructing or producing assets eligible for capitalization, borrowing costs of special borrowings actually incurred in the current period less the interest income of the borrowings unused and deposited in bank or return on temporary investment should be recognized as the capitalization amount of borrowing costs.

ii. As for general borrowings used for acquiring and constructing or producing assets eligible for capitalization, the interest of general borrowings to be capitalized should be calculated by multiplying the weighted average of asset disbursements of the part of accumulated asset disbursements in excess of special borrowing by the capitalization rate of used general borrowings. The capitalization rate is calculated by weighted average interest rate of borrowings.

iii. Where there are discounts or premiums on borrowings, the amounts of interest for each accounting period should be adjusted taking account of amortizable discount or premium amounts for the period by effective interest method.

iv. During the period of capitalization, the capitalized amount of interest of each accounting period shall not exceed the current actual interest of the relevant borrowings.

b) Recognition of capitalized amounts of auxiliary expenses of borrowings

i. Auxiliary expenses incurred from special borrowings before the acquired or constructed assets eligible for capitalization reach the working condition for their intended use or sale should be capitalized when they incur and charged to the costs of assets eligible for capitalization; those incurred after the acquired or constructed assets eligible for capitalization reach the working condition for their intended use or sale should be recognized as costs according to the amounts incurred when they incur and charged to the current profit or loss.

ii. Auxiliary expenses incurred from general borrowings shall be recognized as costs according to the amounts incurred when they occur and included in

the current profit and loss.

c) Recognition of capitalized amount of exchange differences

During the period of capitalization, exchange differences incurred from the principal and interest of special foreign currency borrowings should be capitalized and included in the costs of the assets eligible for capitalization.

18. Biological Assets

18.1. Classification of biological assets

A biological asset is a living animal or plant. Biological assets are classified into consumable biological assets, bearer biological assets and welfare biological assets.

18.2. Recognition of biological assets

A biological asset shall be recognized only when all of the following conditions are satisfied:

a) The Company owns or controls the biological asset as a result of past transactions or events.

b) It is probable that economic benefits or service potential associated with the biological assets will flow into the Company.

c) The cost of the biological assets can be measured reliably.

18.3. Subsequent measurement of biological assets

The Company has examined the consumable biological assets. If there is conclusive evidence that the recoverable amount of the net realizable value of the consumable biological assets is lower than its book value due to natural disasters, pests and diseases or changing of market demand, the provision for impairment of the consumable biological assets is recognized by the difference between the net realized or the recoverable amount and the book value .and the difference is included in the current profit and losses. The net realizable value and the recoverable amount are determined in accordance with the Accounting Standard for Business Enterprises No. 1 - Inventory and the Accounting Standard for Business Enterprises No. 8 - Impairment of Assets.

If the impact of the impairment of biological assets has disappeared, the amount shall be reversed to the current profit and losses within the original provision..

19. Intangible Assets

19.1. Initial measurement of internally researched and developed intangible assets

a) Initial measurement of intangible assets purchased

Costs of intangible assets purchased include purchase price, related tax and expenses and other expenditure that can be distributed to the asset directly to reach its expected use. If payment of the purchase price of intangible assets can be deferred and exceeds normal credit conditions, the purchase has the nature of finance in fact and cost of the intangible asset shall be determined on the basis of present value of the purchase price. The difference between the amount actually paid and the present value of the purchase price should be recorded into current profit or loss other than those should be capitalized during the credit period.

b) Initial measurement of internally researched and developed intangible assets

Costs of internally researched and developed intangible assets shall be recognized according to the total expenses during the period after the assets are eligible for capitalization and before they reach the intended purpose and the expenses that have been included in the previous periods shall no longer be adjusted.

Expenses on the research phase of internally researched and developed intangible assets shall be included in the current profit and loss when they incur; those on the development phase ineligible for capitalization shall be included in the current profit and loss; those eligible for capitalization shall be recognized as intangible assets. If it is unable to distinguish expenditure on the research phase and expenditure on development phase, the research and development expenditures shall be all included in the current profit and loss.

19.2. Subsequent measurement of intangible assets

The useful lives of intangible assets are analyzed on acquisition. Intangible assets obtained by the Company are divided into intangible assets with limited useful lives and intangible assets with indefinite useful lives.

a) Subsequent measurement of intangible assets with limited useful lives

The intangible assets with limited useful lives are amortized on a straight-line basis when they reach intended use over their useful lives with no residual value reserved. Amortizations of intangible assets are usually recorded into the current profit and loss; where the economic benefits of an intangible asset are realized by the products or other assets produced thereafter, the amortizations are recorded into the costs of the relevant assets.

Category, estimated useful life, estimated net residual value rate and annual amortization rate of intangible assets are shown below:

Category of intangible assets	Estimated useful life (years)	Estimated net residual value rate (%)	Annual amortization rate (%)
Land use right	40-37	0	2.50-2.70
Computer software	3~5	0	33.33-20.00

The useful lives and amortization methods of intangible assets at the end of the current year are not different from previous estimates after review.

b) Subsequent measurement of intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are not amortized in the holding period.

19.3. Estimates of useful lives of intangible assets

a) For intangible assets from any contractual right or other statutory rights, their useful lives shall be recognized according to the period no more than that of the contractual or other statutory rights; when the contractual right or other statutory rights contract is extended due to renewal of contracts and there is evidence that the renewal of the Company does not need large costs, the renewal period shall be included into the useful lives.

b) Where the contract or the law fails to specify the useful lives, the Company

integrates situations in all aspects and determine the period of intangible assets that can bring economic benefits for the Company by hiring the relevant experts to demonstrate or comparing with the situation of the industry as well as referring to the Company's historical experience or otherwise.

c) If it is still unable to reasonably determine that intangible assets may bring economic benefits for the Company according to the above methods, the intangible assets are taken as intangible assets with indefinite useful lives.

19.4. Specific criteria for classifying the research phase and the development phase of an internal research and development project

According to the actual situation of the research and development, the Company classifies the research and development project into that on the research phase and that on the development phase.

a) Research stage

Research stage is the stage when creative and planned investigations and research activities are conducted to acquire and understand new scientific or technological knowledge.

b) Development stage

Development stage is the stage when the research achievements or other knowledge are applied to a plan or design, prior to the commercial production or use, so as to produce any new or substantially improved material, device or product.

Expenditure of an internal research and development project on the research phase shall be included in current profit and loss when it occurs.

19.5. Specific criteria for qualifying expenditure on the development phase for capitalization

Expenditure on the development phase of an internal research and development project shall be recognized as intangible assets only when the following conditions are simultaneously satisfied:

a) It is technically feasible to finish intangible assets for use or sale;

b) It is intended to finish and use or sell the intangible assets;

c) The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets themselves or the intangible assets will be used internally;

d) It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources;

e) The expenditure attributable to the intangible asset during its development phase can be measured reliably.

19.6. Treatment of land use right

a) The land use right obtained by the Company is usually recognized as intangible assets, but the purpose of the land use right is changed to be used for earning rent or increasing capital, it shall be transferred to investment property.

b) For plants and other buildings developed and constructed by the Company, the

relevant land use right and buildings shall be treated separately.

c) Payments for externally purchased land and buildings are distributed between the value of buildings and the land use right; those difficult to be distributed shall be all taken as fixed assets.

20. Non-current assets impairment

If there are impairment indicators of long-term equity investment, investment property measured at cost model, fixed assets, construction in progress, intangible assets with indefinite useful lives and other long-term assets at balance sheet date, impairment test should be performed. If the result of impairment test shows that recoverable amount is less than its book value, the difference should be provided for impairment and recorded into impairment loss. The recoverable amount is the higher of fair values less costs of disposal and the present values of the future cash flows expected to be derived from the asset. Provision for impairment is calculated and recognized on the basis of individual asset. If recoverable amount of individual asset is difficult to be estimated, the Company should recognize the recoverable amount of the asset group which the individual asset belongs to. Asset group is the minimum asset group which can generate cash inflow separately.

The Company should perform impairment test for goodwill and intangible assets with indefinite life at least at each year end, no matter whether there is impairment indicator.

When the Company performs impairment test, book value of goodwill arising from business combination should be amortized to relevant asset group using the reasonable method from the date of purchase. If it is difficult to amortize it to relevant asset group, amortize it to relevant asset group portfolio. Apportion book value of goodwill to relevant asset group or asset group portfolio according to the proportion of fair value of asset group or asset group portfolio accounting for total amount of relevant asset group or asset group portfolio. If fair value is difficult to be measured reliably, amortize according to the proportion of book value of asset group or asset group portfolio accounting for total amount of relevant asset group or asset group portfolio. When perform impairment test for asset group or asset group portfolio including goodwill, if there is impairment indicator of asset group or asset group portfolio relevant to goodwill, perform impairment test for asset group or asset group portfolio without goodwill firstly, calculate its recoverable amount, compare with relevant book value and recognize impairment loss. Then perform impairment test for asset group or asset group portfolio including goodwill, compare book value of the asset group or asset group portfolio (including proportional book value of goodwill) and its recoverable amount, if recoverable amount of relevant asset group or asset group portfolio is less than its book value, recognize impairment loss of goodwill.

Once impairment loss stated above is recognized, reversal is not allowed in the subsequent accounting periods.

21. Long-term deferred expenses

21.1 Scope of long-term deferred expenses

Long-term deferred expenses refer to various expenses which have been already incurred but will be born in this period and in the future with an amortization period of over 1 year (exclusive).

21.2 Initial measurement of long-term deferred expenses

Long-term deferred expenses shall be initially measured according to the actual

costs incurred.

21.3 Amortization of long-term deferred expenses

Long-term deferred expenses are amortized using the straight-line method over the beneficial period.

22. Employee benefits

Employee benefits include short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits.

22.1. Short-term benefits

Short-term benefits are the benefits that the Company expect to pay in full within 12 months after the reporting period in which the employee provided relevant services, excluding the compensation for employment termination.

Short-term benefits include: wage, bonus, allowance and subsidy; employee welfare, social securities including health insurance and work injury insurance; housing common reserve fund; union expenditure and employee training expenditure; short-term paid leave; short-term profit-sharing; non-monetary welfare and other short-term benefits.

Actual short term benefits will be recognized as liability during the accounting period in which the employee is providing the relevant service to the Company. The liability will be included in the current profit and losses or the cost relevant assets.

22.2. Post-employment benefits (Defined contribution plan)

The defined contribution plan of the Company includes payments of basic pension, unemployment insurance, annuity, etc. according to relevant provisions. The amount which the Company deposits on balance sheet date in exchange for the service of the employee during the accounting period will be recognized as employee benefits liability and shall be included into the profit or loss for the current period.

22.3. Termination benefits

Termination benefits are the benefits the Company provides to the employee when the Company terminates the employment before labor contract expires or encourages voluntary resignation. Employee benefits liabilities shall be recognized and included into profit or loss for the current period on the earlier date of the two following circumstances:

a) When the Company is not able to withdraw the benefits from termination of employment or resignation persuasion unilaterally;

b) When the Company recognizes costs and fees relevant to reforming the termination benefits payment.

22.4. Other long-term employee benefits

Other long-term employee benefits are all employee benefits other than short-term benefits, post-employment benefits and termination benefits. At the end of reporting period, the company will recognize the employee benefits cost from other long-term employee benefits as the following components:

a) Service cost;

b) Net amount of interest from other long-term employee benefits net liabilities or assets;

c) Changes from recalculation of the net liabilities or assets from other long-term employee benefits.

In order to simplify related accounting procedure, the net amount of the above subjects shall be included into current profit or loss or the cost of relevant assets.

23. Provision

23.1 Recognition principles of provision

When obligations related to external guarantees, pending actions or arbitration, product quality assurance, onerous contracts, reorganization and contingencies satisfy the following three conditions, they shall be recognized as provision:

a) This obligation is a present obligation of the Company;

b) The settlement of such obligation is likely to result in outflow of economic benefits from the Company; and

c) The amount of the obligation can be measured reliably.

23.2 Measurement method of provision

The amount of provision is measured at the best estimate of expenses required for contingencies.

a) If there is continuous range for the necessary expenses, and probabilities of occurrence of all the outcomes within this range are equal, the best estimate shall be determined at the median of the range.

b) The best estimate shall be accounted as follows in other cases:

i. If the contingency involves a single item, the best estimate shall be determined at the most likely outcome.

ii. If the contingency involves two or more items, the best estimate should be determined according to all the possible outcomes with their relevant probabilities.

24 Share-based payment

Share-based payment is classified as equity-settled share-based payment and cash-settled share-based payment.

24.1 Accounting treatment on the date of granting

The Company does not make any accounting treatment on the date of granting, neither for equity-settled share-based payment nor for cash-settled share-based payment, except that the right of the share-based payment can be exercised immediately.

24.2 Accounting treatment on each balance sheet date within vesting period

On each balance sheet date within vesting period, the Company records the service provided by employees or other party as cost and expense, and recognizes equity or liability at the same time.

For the share-based payment attached with market conditions, once employees satisfy all conditions except market conditions, the service acquired can be recognized. If the performance condition is not market condition, the estimate for previous periods can be revised when the vesting period is determined and subsequent information shows that the estimate for conditions of exercising rights requires adjustments.

For equity-settled share-based payment related with employees, charge the service

into costs, expenses and capital reserve (other capital reserve), using the fair value of the equity instrument on the date of granting. The subsequent changes of fair value should not be recognized. For cash-settled share-based payment related with employees, recalculate fair value of the equity instrument at each balance sheet date and recognize related costs, expenses and employee benefit payable.

At each balance sheet date within vesting period, the Company makes the best estimate and revises the number of equity instrument that can be exercised according to the latest subsequent information such as change of number of employees who can exercise rights.

Use fair value and the number of of equity instrument stated above to calculate cumulative amount of costs and expenses that should be recognized by this period and then deduct the cumulative amount already recognized in the previous period. The balance is the amount of cost and expense that should be recognized in the current period.

24.3 Accounting treatment after the date when rights can be exercised

24.3.1 For equity-settled share-based payment, after the date when rights can be exercised, no adjustment shall be made to the total amount of the cost expense and equity already recognized. The Company recognizes share capital and capital premium, and carry forward the capital reserve (other capital reserve) recognized within vesting period at the he date when rights can be exercised.

24.3.2 For cash-settled share-based payment, the Company shall not recognize costs and expenses. The change of fair value of liability (employee benefit payable) should be recorded into current profit or loss (profit or loss arising from fair value changes) after the date when rights can be exercised.

24.4 Accounting treatment for repurchasing shares regarding employee option incentive

When the Company encourages employees in the form of repurchasing shares, total expenditure of repurchasing shares is regarded as treasury stock and registered for check. At each balance sheet date within vesting period, charge the employee service acquired into costs and expenses, and meanwhile increase capital reserve (other capital reserve), using fair value of the equity instrument at the date of granting. When the employee exercises the right to buy the Company's shares and receives the amount, write off the cost of treasury stock delivered to the employee and the cumulative amount of capital reserve (other capital reserve) recognized within the vesting period, meanwhile the balance adjusting capital reserve (share capital premium).

25 Recognition of revenue

Operating revenue of the Company mainly includes revenue from construction contract ,revenue from sales of goods, revenue from rendering of service ， revenue from transfer of asset use right, for which the recognition principles are as follows:

25.1 Recognition of construction contract revenue

a) As to the construction contract whose beginning and completion are in the same accounting year, the Company recognizes the contract revenue and contract expense.

b) As to the construction contract whose beginning and completion are in different accounting years, if the result of the construction contract can be estimated reliably at the balance sheet day, the Company should recognize contract revenues and contract expenses using percentage-of –completion method at the balance sheet date.

i. When the following conditions are satisfied at the same time, the result of the construction contract whose construction price is fixed can be estimated reliably:

1) Total revenue of the contract can be measured reliably;
2) Economic benefits related to the contract can flow into the Company probably;
3) Contract cost actually incurred can be identified clearly and measured reliably;
4) Percentage-of –completion and cost that will happen to complete the contract can be determined reliably.

ii. When the following conditions are satisfied at the same time, the result of the cost mark-up contract can be estimated reliably:

1) Economic benefits related to the contract can flow into the Company probably;
2) Contract cost actually incurred can be identified clearly and measured reliably.

iii. If the construction cost starts and completes in different accounting years, but the result of the construction contract cannot be estimated reliably, The Company recognizes contract revenues and contract expenses separately depending on the following conditions:

1) If the contract costs can be recoverable, contract revenues are recognized according to actual contract costs recoverable and contract costs are recognized as contract expenses during the current period when they occur.
2) If the contract costs cannot be recoverable, recognize contract costs as contract expenses immediately when they occur and do not recognize contract revenues.
3) If total contract costs estimated will exceed total contract revenues estimated, the Company recognizes the loss estimated as expenses in the current period.

25.2 Recognition principals of revenue from sales of goods

Revenue from sales of goods is recognized when the Company has transferred significant risks and rewards of ownership of the goods to the purchaser; the Company retains neither continuing managerial involvement usually related to the ownership nor effective control over the sold goods; revenues can be measured reliably; the relevant economic benefits are highly likely to flow into the Company; and the relevant costs incurred or to be incurred can be measured reliably.

Recognition principals of revenue from transfer of asset use right

When economic benefits related to transactions are highly likely to flow into the

Company and the amount of revenue can be reliably measured, the revenue from transfer of asset use right is recognized.

25.3 Recognition principals of revenues of rendering of services

a) Recognition principals of revenue from rendering of service under the circumstance that the outcome of service transactions can be estimated reliably

The Company recognizes revenue from rendering of service using the percentage-of-completion method on the balance sheet date when the outcome of service transactions can be estimated reliably.

When the amount of revenues can be measured reliably, related economic interests are likely to flow into the company, schedule of completion of the transitions can be measured reliably and the cost of transactions incurred or to be incurred can be measured reliably, the outcome of service transactions can be estimated reliably.

b) Recognition principals of revenue from rendering of service under the circumstance that the outcome of service transactions cannot be estimated reliably

If the outcome of rendering of services on the balance sheet date cannot be measured reliably, the revenues from rendering of services shall be recognized according to the following three conditions:

i. If the labor costs that have already incurred can be fully compensated, the revenues from rendering of services are recognized at the amounts recovered or expected to be recovered and the labor costs that have already incurred shall be carried forward;

ii. If the labor costs that have already incurred can be partially compensated, the revenues from rendering of services are recognized at the recoverable amounts of compensated labor costs and the labor costs that have already incurred shall be carried forward;

iii. If it is expected that all the labor costs that have already incurred cannot be compensated, the labor costs that have already incurred are included into the current profit and loss (costs of sales) and the revenues from rendering of services are not recognized.

25.4 Recognition principals of revenue from transfer of asset use right

The Company recognizes revenue from transfer of asset use right when the relevant economic benefits are highly likely to flow into the Company and the amount of revenue can be reliably measured.

26 Government grants

26.1 Types of government grants

Government grants are monetary assets and non-monetary assets acquired free of charge by the Company from the government, including government grants related to assets and government grants related to income.

Government grants related to assets are government grants that are acquired by the Company and used for forming long-term assets through purchasing and constructing or other ways.

Government grants related to income are government grants other than government grants related to assets.

26.2 Recognition principles of government grants

Government grants are recognized when both of the following conditions are met:

a) The Company can meet the attached conditions for the government grants;

b) The Company can receive the grants.

26.3 Measurement of government grants

a) If a government grant is a monetary asset, it shall be measured in the light of the received or receivable amount.

b) If a government grant is a non-monetary asset, it shall be measured at its fair value; and if its fair value cannot be obtained in a reliable way, it shall be measured at a nominal amount (a nominal amount is CNY 1).

26.4 Accounting treatment method of government grants

a) The government grants related to assets shall be recognized as deferred income at the actual entry amount on acquisition, allocated evenly over the useful lives of the relevant assets, and included in the current profit or loss. Government grants measured at the nominal amount shall be directly included in current profit and loss.

b) Government grants related to income shall be separately handled according to the following circumstances:

i. If government grants related to income are used to compensate the Company's relevant expenses or losses in future periods, such government grants should be recognized as deferred income on acquisition and be included into the current profit and loss during the period of recognition of the relevant expenses.

ii. If government grants related to income are used to compensate the Company's relevant expenses or losses incurred, such government grants are directly included into the current profit and loss on acquisition.

c) Government grants already recognized required to be refunded shall be handled according to the following circumstances:

i. If there is related deferred income, the book value of relevant deferred income is written down and the exceeding part is recorded in the current profit and loss.

ii. If there is no related deferred income, the exceeding part is directly included in the current profit and loss.

27 Deferred tax

The Company adopts the balance sheet liability method to account for income tax.

27.1 Recognition of deferred tax assets or deferred tax liabilities

a) The Company determines tax base on acquisition of assets and liabilities. On the balance sheet date, the Company analyzes and compares the book value of the assets and liabilities with the tax base. If there are temporary differences between book value of the assets and liabilities and tax base, under the circumstance that the temporary differences incur in the current period and meet the recognition criteria, the Company shall respectively recognize taxable

temporary differences or deductible temporary differences as deferred tax liability or deferred tax assets.

b) Recognition basis of deferred tax assets

i. Deferred tax assets incurred from deductible temporary differences are recognized to the extent that they shall not exceed the taxable income probably obtained in future periods to be against the deductible temporary difference. In determining the taxable income probably obtained in future periods, including the taxable income from normal production and operation activities in future periods and the increase of taxable income due to the reversal of taxable temporary differences during the period of reversal of deductible temporary differences.

ii. For deductible losses and tax credits that can be carried forward to the next years, the Company is likely to recognize the corresponding deferred tax assets to the extent that the assets shall not exceed the taxable income in the future for deducting deductible losses and tax credits and that are probably obtained by the Company.

iii. On the balance sheet date, the Company reviews the book value of deferred tax assets. If it is probably unable to obtain sufficient taxable income in the future period to offset the benefits of the deferred tax assets, the Company shall write down the book value of the deferred tax assets; when it is probable to obtain sufficient taxable income, the write-downs shall be reversed.

c) Recognition basis of deferred tax liabilities

The Company recognizes the current and previous taxable temporary differences payable but unpaid as deferred tax liabilities. But they exclude temporary differences arising from goodwill; transactions which are formed other than from business combinations and neither affect the accounting profit nor affect taxable income at the time of occurrence.

27.2 Measurement of deferred tax assets or deferred tax liabilities

a) On the balance sheet date, the deferred tax assets and deferred tax liabilities are measured at the applicable tax rate during the period of expected recovery of the assets or liquidation of the liabilities in accordance with the provisions of the tax law.

b) Where the applicable tax rate changes, the Company remeasures deferred tax assets and deferred tax liabilities recognized, except for those incurred in transactions or events directly recognized in the owner's equity, of which the effect shall be included in the income tax expenses in the current period when the rate changes.

c) When the Company measures the deferred tax assets and deferred tax liabilities, the tax rate and tax base in consistent with the expected recovery of assets or liquidation of liabilities shall be adopted.

d) Deferred tax assets and deferred tax liabilities of the Company shall not be discounted.

28 Accounting treatment of operating lease and financial lease

The Company distinguishes operating lease from financial lease from the beginning day of the lease.

28.1 Accounting treatment of operating lease

Lessee records rents of operating lease into cost of related assets or current profit or loss using straight line method in each period of the lease term. Initial direct expenses incurred are recorded into current profit or loss. Contingent rents are recorded into current profit or loss when occur.

Lessor includes assets used for operating lease in the related items of financial statements. Rent of operating lease is recognized into current profit or loss using straight line method in the various period of the lease term. Initial direct expenses are recorded into current profit or loss. Depreciate fixed asset in the operating lease using depreciation policy of the similar assets. Amortize other operating lease assets using systematic reasonable method. Contingent rent is recorded into current profit or loss when occur.

28.2 Accounting treatment of financial lease

As the lessee, recognize the lower of fair value of lease asset and minimum lease payment at the beginning day of the lease as the initial value of the asset leased in and the minimum lease payment as long-term payable, the difference as unrealized finance expense. Bank charges, lawyer fee, travel allowances, stamp taxes and other initial direct expenses that can be attributable to lease project in the lease negotiation and signing the lease contract are recorded into the asset leased in. Unrealized finance expense is amortized in the period during the lease term and recognized as current finance expenses using actual effective rate method. Contingent rent is recorded into current profit or loss when actually occur.

As the lessor, recognize the total of minimum lease amount received and initial direct expenses as the initial value of financial lease amount receivable and record the residual amount not guaranteed at the same time. Recognize the difference between the total of minimum lease amount received, initial direct expenses and residual amount not guaranteed and present value of that as unrealized finance income. Amortize unrealized finance income in the period during the lease term and use effective interest rate to recognize current finance income. Contingent rent is recorded into current profit or loss when actually occur.

29 Changes in significant accounting policies and accounting estimates

29.1 Changes in significant accounting policies

The Company does not have changes in major accounting policies during current reporting period.

29.2 Changes in significant accounting estimates

The Company does not have changes in major accounting estimates in the reporting period.

Ⅳ. Taxes

1. Major tax types and rates

Tax Type	Tax Base	Tax Rate
Value-added tax	Output tax less input tax	17%/11%/6%/3%
Business tax	turnover	3%/5%
Urban maintenance and construction tax	Turnover tax payable	7%/5%
Corporate income tax	Taxable income	25%
Increment tax on land value	turnover	2%

V. Notes to the Main Items of the Consolidated Financial Statements (All currency unit is China Yuan (CNY), except other statements)

1. Cash and cash equivalents

Item	Closing Balance	Opening Balance
Cash	32,008,977.70	38,809,970.58
Bank deposit	1,612,462,006.05	1,160,108,243.97
Other cash and cash equivalents	1,274,390,198.96	1,218,213,025.65
Total	2,918,861,182.71	2,417,131,240.20
Including: total deposit abroad	48,381,613.14	5,630,170.77

There are restricted cash and cash equivalents mortgaged, pledged, frozen or deposited abroad whose return of funds is restricted,

Item	Ending balance
Bank acceptance bill deposit	968,860,000.00
Letter of Guarantee deposit	90,382,220.68
Letter of credit deposit	20,000,000.00
Frozen deposit	17,040,492.96
Mortgage loan deposit	180,000,000.00
Other deposit	13,500,000.00
Total	1,289,782,713.64

2. Financial assets measured at fair value through profit or loss

Item	Closing balance	Opening balance
Trading financial assets		900,800.00
Including: Liability instrument investments		
Equity instrument investments		
Derivative financial assets		
Others		900,800.00
Designated as financial assets measured at fair value through profit or loss		
Including: Liability instrument investments		
Equity instrument investments		
Others		
Total		900,800.00

3. Notes receivable

3.1 Classification of notes receivable

Item	Closing Balance	Opening Balance
Bank acceptance bill	30,652,341.50	30,774,645.40
Commercial acceptance bill	104,203,463.89	417,947,690.00
Total	134,855,805.39	448,722,335.40

3.2 Pledged notes receivable at the end of year

Item	Closing pledged amount
Bank acceptance bill	
Commercial acceptance bill	26,000,066.00
Total	26,000,066.00

3.3 Notes receivable that have been endorsed to other parties by the Company but have not expired at the end of year

Item	Derecognition at ending	Recognition continue at ending
Bank acceptance bill	134,550,276.00	
Commercial acceptance bill	37,921,964.43	
Total	172,472,240.43	

4. Accounts receivable

4.1 An analysis of accounts receivable by categories

Type	Closing balance		
	Book balance	Provision for bad debt	Book

	Amount	Proportion (%)	Amount	Proportion of Provision (%)	value
Accounts receivable with insignificant single amount for which bad debt provision separately accrued					
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:	3,494,637,732.21	100.00	160,643,843.48	4.60	3,333,993,888.73
Accounts receivable with insignificant single amount for which bad debt provision separately accrued					
Total	3,494,637,732.21	/	160,643,843.48	/	3,333,993,888.73

(Continued)

Category	Opening balance				
	Book balance		Provision for bad debt		Book Value
	Amount	Proportion (%)	Amount	Proportion of Provision (%)	
Accounts receivable with insignificant single amount for which bad debt provision separately accrued					
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:	2,952,875,824.26	100.00	133,496,471.03	4.52	2,819,379,353.23
Accounts receivable with insignificant single amount for which bad debt provision separately accrued					
Total	2,952,875,824.26	/	133,496,471.03	/	2,819,379,353.23

i. Aging analysis of the receivables is as follows:

Aging	Closing Balance			Opening balance		
	Book balance		Proportion (%)	Book balance		Proportion (%) t
	Amount	Provision for bad debt		Amount	Provision for bad debt	
Within 1 year	2,930,509,730.28	87,915,291.91	3	2,598,234,076.47	77,896,221.01	3
1-2 years	446,547,585.31	44,654,758.52	10	230,049,686.79	23,004,968.68	10
2-3 years	97,662,075.60	19,532,415.12	20	98,049,612.27	19,609,922.45	20
3-4 years	15,522,272.73	4,656,681.82	30	11,421,279.99	3,426,384.00	30

Aging	Closing Balance			Opening balance		
	Book balance		Proportion (%)	Book balance		Proportion (%) t
	Amount	Provision for bad debt		Amount	Provision for bad debt	
4-5 years	1,022,744.36	511,372.18	50	11,124,387.70	5,562,193.85	50
Over 5 years	3,373,323.93	3,373,323.93	100	3,996,781.04	3,996,781.04	100
Total	3,494,637,732.21	160,643,843.48		2,952,875,824.26	133,496,471.03	

4.2 Provision and recovery for bad and doubtful debt in the current period

The provision allowance of current period is CNY51,589,852.73. The recovery of current period is CNY19,462,732.16. The impact of consolidation scope changes is CNY-4,979,748.12。

4.3 Top five entities with the largest balances of the account receivables

Company name	Amount	Aging	Proportion in The total (%)	Provision Amount
Shandong High Speed Xicheng Real Estate Co., Ltd	161,973,971.20	Within 1 year	4.63	4,859,219.14
Changchun Jishou Real Estate Development Co., Ltd	102,402,020.99	Within 1 year	2.93	3,072,060.63
Jiangsu Green Island Property Co., Ltd	82,499,309.20	Within 1 year: CNY45,773,725.78; 1-2years: CNY36,725,583.42	2.36	5,045,770.12
Beijing Hang Lung Hing Property Co., Ltd	79,588,652.85	Within 1 year	2.28	2,387,659.59
Lingbi Traffic Investment LLC.	78,421,804.78	Within 1 year: CNY54,959,168.47; 1-2years: CNY23,462,636.31	2.24	3,995,038.69
Total	504,885,759.02		14.44	19,359,748.17

5. Prepayment

5.1 Aging analysis

Aging	Closing Balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	373,581,324.47	91.76	276,730,817.49	83.07
1-2 years	27,809,840.81	6.83	37,626,538.93	11.29
2-3 years	5,227,793.66	1.28	18,149,748.29	5.45
3-4 years	512,600.00	0.13	626,159.00	0.19
4-5 years				

Aging	Closing Balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Over 5 years				
Total	407,131,558.94	100.00	333,133,263.71	100.00

5.2 Significant prepayments whose aging is over 1 year

Debtor's name	Closing balance	Reason for unsettlement
Chongqing Zhonglin Kunze Wood Industry Co., Ltd	5,449,533.44	In the performance of the contract
Beijing Xingguang Sida Machinery Electrical Equipment Co., Ltd	3,748,728.89	In the performance of the contract
Yantai Guanghua Trading Co., Ltd	3,560,102.34	In the performance of the contract
Beijing Hechen business Co., Ltd	3,371,877.57	In the performance of the contract
Total	16,130,242.24	/

5.3 Top five entities with the largest balances of prepayments

Debtor's name	Amount	Proportion in the total (%)
Shanghai Yu Xiang International Trade Co., Ltd	193,928,613.79	47.63
Shanghai Ji Fang Enterprise Development Co., Ltd	26,500,951.56	6.51
Fan Bofeng team	8,545,423.00	2.10
Beijing Huatian Curtain Wall Co., Ltd	7,410,687.23	1.82
Nantong Sanjian Construction Services Co.,Ltd.	6,816,160.17	1.67
Total	243,201,835.75	59.73

6. Interest receivable

6.1 Classification of interest receivable

Item	Closing balance	Opening balance
Fixed deposits	409,097.38	3,294,157.64
Entrusted loans	800,000.00	1,790,290.82
Total	1,209,097.38	5,084,448.46

7. Other receivables

7.1 Other receivables disclosed by categories

Category	Closing Balance				
	Book Balance	Proportion (%)	Provision for bad debt	Provision Proportion (%)	Book Value

Category	Closing Balance				
	Book Balance	Proportion (%)	Provision for bad debt	Provision Proportion (%)	Book Value
Other receivables with insignificant single amount for which bad debt provision separately accrued					
Other receivables withdrawal of bad debt provision of by credit risks characteristics	6,550,054,868.78	100.00	421,200,152.20	6.43	6,128,854,716.58
Other receivables with insignificant single amount for which bad debt provision separately accrued					
Total	6,550,054,868.78	/	421,200,152.20	/	6,128,854,716.58

(Continued)

Category	Opening Balance				
	Book Balance	Proportion (%)	Provision for bad debt	Provision Proportion (%)	Book Value
Other receivables with insignificant single amount for which bad debt provision separately accrued					
Other receivables withdrawal of bad debt provision of by credit risks characteristics	3,450,181,591.53	100.00	248,461,099.27	7.20	3,201,720,492.26
Other receivables with insignificant single amount for which bad debt provision separately accrued					
Total	3,450,181,591.53	/	248,461,099.27	/	3,201,720,492.26

i. An analysis of provision under the aging analysis method

Aging	Closing Balance			Opening Balance		
	Account Receivable	Provision for bad debt	Proportion of Provision (%)	Account Receivable	Provision for bad debt	Proportion of Provision (%)
Within 1 year	4,802,708,827.55	144,081,264.83	3	2,761,204,313.65	83,345,072.99	3
1-2 years	1,231,578,572.76	123,157,857.27	10	383,702,614.47	36,818,121.85	10
2-3 years	417,992,527.82	83,598,505.56	20	185,653,380.06	36,829,064.00	20
3-4 years	21,096,074.11	6,328,822.23	30	23,721,514.49	7,116,454.35	30
4-5 years	25,290,328.47	12,645,164.24	50	23,094,765.57	11,547,382.78	50
Over 5 years	51,388,538.07	51,388,538.07	100	72,805,003.29	72,805,003.30	100
Total	6,550,054,868.78	421,200,152.20		3,450,181,591.53	248,461,099.27	

7.2 Provision and recovery for bad and doubtful other receivables in the current period.

7.3 The provision allowance of current period is CNY 215,430,302.68,The recovery of current period is CNY59,174,065.85 , The Impact of consolidation scope changes is CNY16,482,816.10..Analysis of other receivables by category

Category	Closing Book Balance	Opening Book Balance
Company and individual borrowings	4,078,546,507.57	1,377,236,236.32
Deposit	374,396,684.44	359,068,397.33
Petty cash	63,962,693.31	54,850,468.77
Fund intercourse	2,033,148,983.47	1,659,026,489.11
Total	6,550,054,868.78	3,450,181,591.53

7.4 Top five entities with the largest balances of the other receivables

Company Name	Category	Closing Balance	Aging	Proportion in total receivables	Provisioning amount at period end
Zhuhai ZhongruiZhaoyang Equity Investment Fund Management Co.,Ltd.	Fund intercourse	506,968,182.65	Within 1 year298,233,333.33 CNY; 1-2 years 208,734,849.32 CNY	7.74	29,820,484.93
Haimen Ronghui Real Estate Co.,Ltd.	Borrowings	419,984,546.15	Within 1 year 419,971,013.01 CNY; 2-3 years 13,533.14 CNY	6.41	12,601,837.02
Nantong JinHuangHai Real Estate Co.,Ltd.	Borrowings	354,153,776.60	Within 1 year 354,085,692.25 CNY; 2-3 years 68,084.35 CNY	5.41	10,636,187.64
Haimen JiDaCheng Construction Engineering Supervision Co.,Ltd.	Fund intercourse	292,533,333.33	Within 1 year	4.47	8,776,000.00
Nantong Yuheng Real Estate Co.,Ltd	Fund intercourse	245,724,215.59	Within 1 year62,765,775.59 CNY; 1-2 years 182,958,440.00 CNY	3.75	20,178,817.27
Total	/	1,819,364,054.32	/	27.78	82,013,326.86

8. Inventories

8.1 Categories of Inventory

Category	Closing Balance			Opening Balance		
	Book Balance	Provision for depreciation	Book Value	Book Balance	Provision for depreciation	Book Value
Raw materials	238,526,037.23		238,526,037.23	310,801,821.16		310,801,821.16
Packing materials	12,461,637.86		12,461,637.86	25,829,123.04		25,829,123.04
Low-cost consumables	36,423,597.78		36,423,597.78	22,368,548.48		22,368,548.48
Stock commodities	2,008,322.86		2,008,322.86	32,119.74		32,119.74
Revolving materials	89,206,277.30		89,206,277.30	57,217,272.29		57,217,272.29
Development cost				736,476,049.21		736,476,049.21
Developed products				449,609,486.66		449,609,486.66
Assets completed but not settled through construction contracts	7,694,198,426.24		7,694,198,426.24	5,579,267,833.76		5,579,267,833.76
consumable biological assets	28,394,373.66		28,394,373.66			
Total	8,101,218,672.93		8,101,218,672.93	7,181,602,254.34		7,181,602,254.34

8.2 Closing conditions of assets completed but not settled through construction contracts

Item	Amount
Cumulative costs incurred	61,461,024,209.52
Cumulative profit recognized	7,705,185,879.44
Less: Estimated loss	
Amount settled	61,472,011,662.72
Assets completed but not settled through construction contracts	7,694,198,426.24

9. Other current assets

Item	Closing balance	Opening balance
Financial products	20,100,000.00	103,500,000.00
Rent		7,732.60
Entrusted Loan（within12 months）	80,000,000.00	
Others	1,862.40	
Total	100,101,862.40	103,507,732.60

10. Available-for-sale financial assets

10.1 Details of available-for-sale financial assets

Item	Closing Balance			Opening Balance		
	Book Balance	Provision for impairment	Book Value	Book Balance	Provision for impairment	Book Value
Available. - for-sale debentures						
Available-for-sale equity instruments	200,175,061.88		200,175,061.88	130,109,061.88		130,109,061.88
Of which: Measured at fair value	75,000,000.00		75,000,000.00			
Measured by cost	125,175,061.88		125,175,061.88	130,109,061.88		130,109,061.88
Total	200,175,061.88		200,175,061.88	130,109,061.88		130,109,061.88

10.2 Available-for-sale financial assets measured at fair value at period end

Categories of available for sale financial assets	Available for sale equity instruments	Available for sale debt instruments	Total
Cost of equity instruments/Amortized cost of debt instruments	60,000,000.00		60,000,000.00
Fair value	75,000,000.00		75,000,000.00
Cumulative fair value changes through other comprehensive income	15,000,000.00		15,000,000.00
Provision for Impairment			

10.3 Available-for-sale financial assets measured by cost at period end

Investee	Book Balance			
	Opening Balance	Increase in Current Period	Decrease in Current Period	Closing Balance
Hefei Jinhao Construction Development Co., Ltd. (note 1)	22,700,000.00		3,000,000.00	19,700,000.00
Jiangsu Haimen Rural Commercial Bank Co., Ltd	49,500,000.00	300,000.00		49,800,000.00
Jiangsu Haimen Jianxin Village Bank LLC	9,500,000.00			9,500,000.00
Energy - saving Nantong contract environmental resources investment fund center	4,160,000.00			4,160,000.00
Zhongjihua (Zhangjiakou) Commercial Network Real Estate Development Co., Ltd. (Note 2)	21,637,461.88		500,000.00	21,137,461.88

Investee	Book Balance			
	Opening Balance	Increase in Current Period	Decrease in Current Period	Closing Balance
Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd.	150,000.00			150,000.00
Jiangsu Nantong Sanjian Building Decoration Co., Ltd	2,000,000.00			2,000,000.00
Shenzhen Special Development Property Management Co., Ltd	12,461,600.00			12,461,600.00
Hebei Zhongji Real Estate Development Co., Ltd	8,000,000.00		8,000,000.00	
Haimen Jinxin Guarantee Co., Ltd		5,000,000.00		5,000,000.00
Gong tong Science and Technology City Development (Haimen) Co., Ltd		36,000.00		36,000.00
Nantong Sanjian Construction Services Co., Ltd		1,230,000.00		1,230,000.00
Total	130,109,061.88	6,566,000.00	11,500,000.00	125,175,061.88

(Continued)

Investee	Provision for impairment				Proportion of Equity Held in Investee (%)	Current Period Cash dividends
	Opening Balance	Increase in Current Period	Decrease in Current Period	Closing Balance		
Hefei Jinhao Construction Development Co., Ltd. (note 1)					25.00	
Jiangsu Haimen Rural Commercial Bank Co., Ltd					6.72	2,800,000.00
Jiangsu Haimen Jianxin Village Bank LLC					9.50	

Investee	Provision for impairment				Proportion of Equity Held in Investee (%)	Current Period Cash dividends
	Opening Balance	Increase in Current Period	Decrease in Current Period	Closing Balance		
Energy - saving Nantong contract environmental resources investment fund center					3.70	
Zhongjihua (Zhangjiakou) Commercial Network Real Estate Development Co., Ltd. (Note 2)					51.00	
Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd					0.30	
Jiangsu Nantong Sanjian Building Decoration Co., Ltd					10.00	
Shenzhen Special Development Property Management Co., Ltd					20	
Hebei Zhongji Real Estate Development Co., Ltd						
Haimen Jinxin Guarantee Co., Ltd					3.38	
Gong tong Science and Technology City Development (Haimen) Co., Ltd					0.01	
Nantong Sanjian Construction Services Co., Ltd					10.00	
Total						2,800,000.00

(Note 1)The Company Signed a share transfer agreement with Jiangsu Jiankun Property Co., Ltd. on May 30th, 2005 and June 20th, 2005, and invested 25 million for 25% equity of Jiangsu Jiankun Property Co., Ltd. which was held by Jinhao (Hefei) Construction and Development Co., Ltd., but the company is not directly involved in business management, this issue should be cooperative development of real estate project. After the signing of the share transfer agreement, Jiangsu Jiankun Property Co., Ltd. did not transfer 25% equity to the Company. On April 13th, 2015, through the Anhui Provincial Higher People's Court civil mediation, Jiangsu Jiankun Property Co., Ltd.

agreed to return the payment of equity transfer at CNY 22.7 million before December 31st, 2016 and to pay the interest at CNY 14.60 million before December 31st, 2017.

The civil mediation has been applied for implementation, during the implementation process, the parties reached a settlement agreement, the main content of the agreement is: Before the Spring Festival of 2017, Jiangsu Jiankun Property Co., Ltd should pay 7 million and make one-time payment at 12.7 million and interest 14.6 million to the Company before The Spring Festival of 2018.The agreement is currently being carried out.

(Note 2)On September 26th, 2009, the Company signed a cooperation agreement with Zhongjihua (Zhangjiakou) Commercial Network Real Estate Development Co., Ltd. to develop Jinding Commercial Building and International Hotel Apartment Project, owning 51% revenue distribution rights. The company is not directly involved in the management, thus this issue should be cooperative development of real estate project. On June 15th, 2015, the Company signed a repayment agreement with Zhongjihua (Zhangjiakou) Commercial Network Real Estate Development Co., Ltd. and Zhongjihua (Zhangjiakou) Commercial Network Real Estate Development Co., Ltd. agreed to pay principal investment and income of the Company at is 63.67 million before December 31st, 2017.

Under the above-mentioned cooperative development agreement, as of December 31, 2016,94 apartments had been handled the archival filing formalities through internet， equivalence CNY30.069375 million, and the property rights are to be processed. Also, the internet archival filling formalities of 26 shops are to be processed, which equivalence CNY3.318972 million and the property rights are to be processed.

11. Long-tern receivables

11.1 Details of long-tern receivables

Item	Closing balance			Opening balance			Range of discount rate
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value	
Financial leasing deposit	32,800,000.00		32,800,000.00	24,800,000.00		24,800,000.00	
BT project	442,995,320.07	15,365,131.29	427,630,188.78	304,875,927.91		304,875,927.91	5.50%-9.5%
Total	475,795,320.07	15,365,131.29	460,430,188.78	329,675,927.91		329,675,927.91	/

12. Long-term equity investments

Investee	Opening Balance	Changes in Current Period			Closing Balance	Closing Balance of provision for impairment
		Increase	Decrease	Profit or loss recognized under equity method		
12.1 Joint Venture						
Qingdao Tianxin Real Estate Co:, Ltd	47,394,535.53		47,394,535.53			
Shenzhen ZhukeYunfu Technology Co.,Ltd	1,750,000.00			-33,686.66	1,716,313.34	
Shouci Industrial (Shanghai) Co., Ltd		750,000.00		-26,483.70	723,516.30	
Subtotal	49,144,535.53	750,000.00	47,394,535.53.	-60,170.36	2,439,829.64	
total	49,144,535.53	750,000.00	47,394,535.53	-60,170.36	2,439,829.64	

13. Investment properties

13.1 Investment properties measured at cost model

Item	Properties and buildings	Land use rights	Construction in process	Total
I .Original value				
1.Opening balance	10,397,800.00			10,397,800.00
2.Addition this period	62,999,997.00			62,999,997.00
(1)Purchase	62,999,997.00			62,999,997.00
3.Decrease this period				
4.Closing balance	73,397,797.00			73,397,797.00
Accumulated depreciation and amortization				
1.Opening balance	484,870.56			484,870.56
2.Addition this period	3,120,995.40			3,120,995.40
(1)Provision or amortization	3,120,995.40			3,120,995.40
3. Decrease this period				
4.Closing balance	3,605,865.96			3,605,865.96
IV. Book value				
1.Closing book value	69,791,931.04			69,791,931.04
2.Opening book value	9,912,929.44			9,912,929.44

14. Fixed Assets

14.1 Details of Fixed Assets

Item	Buildings and constructions	Machinery equipment	Transportation equipment	Electronic and Other equipment	Total
Original cost of fixed assets					
1.Opening Balance	261,432,568.30	297,780,697.08	79,361,423.29	40,699,135.58	679,273,824.25
2.Increase in current period	84,150,861.81	35,968,215.39	22,360,612.75	17,592,442.55	160,072,132.50
(1)External purchase		4,076,057.12	14,343,328.53	8,881,194.10	27,300,579.75
(3) Increase from business combination	84,150,861.81	31,892,158.27	8,017,284.22	8,711,248.45	132,771,552.75
3.Decrease in current period	65,670,298.45	37,864,641.41	11,633,159.65	18,732,093.82	133,900,193.33
(1) Disposal or scrap	12,558,953.44	33,233,608.75	9,394,515.36	12,057,181.62	67,244,259.17
(2)Decrease from business combination	53,111,345.01	4,631,032.66	2,238,644.29	6,674,912.20	66,655,934.16
4.Closing Balance	279,913,131.66	295,884,271.06	90,088,876.39	39,559,484.31	705,445,763.42
Accumulated depreciation					
1.Opening Balance	66,033,974.10	202,759,222.53	47,869,897.50	19,752,569.35	336,415,663.48
2.Increase in current period	23,866,006.12	37,580,106.33	15,540,748.24	11,508,334.00	88,495,194.69
（1） Provision	19,595,926.49	20,418,861.47	8,108,048.86	7,703,863.78	55,826,700.60
(2) Increase from business combination	4,270,079.63	17,161,244.86	7,432,699.38	3,804,470.22	32,668,494.09
3.Decrease in current period	20,974,243.42	26,302,038.98	7,879,086.67	10,926,106.73	66,081,475.80
（1） Disposal or scrap	2,463,116.83	25,938,856.38	7,080,305.24	7,438,171.60	42,920,450.05
(2)Decrease from business combination	18,511,126.59	363,182.60	798,781.43	3,487,935.13	23,161,025.75
4.ClosClosing Balance	68,925,736.80	214,037,289.88	55,531,559.07	20,334,796.62	358,829,382.37
Carrying Amount					
1.Closing carrying amount	210,987,394.86	81,846,981.18	34,557,317.32	19,224,687.69	346,616,381.05

Item	Buildings and constructions	Machinery equipment	Transportation equipment	Electronic and Other equipment	Total
2.Opening carrying amount	195,398,594.20	95,021,474.55	31,491,525.79	20,946,566.23	342,858,160.77

15. Intangible assets

15.1 Details of intangible assets

Item	Land use right	Computer software	Total
Original cost of intangible assets			
Opening Balance	32,308,930.00	505,185.30	32,814,115.30
Increase in current period		2,795,997.25	2,795,997.25
Including: Acquired		1,595,448.73	1,595,448.73
Internally developed		950,000.00	950,000.00
Business combination		250,548.52	250,548.52
Decrease in current period	32,308,930.00	52,660.00	32,361,590.00
Including: Disposal		22,180.00	22,180.00
Business combination	32,308,930.00	30,480.00	32,339,410.00
Closing Balance		3,248,522.55	3,248,522.55
Accumulated amortization of intangible assets			
Opening Balance	7,748,834.44	168,467.04	7,917,301.48
Increase in current period	344,844.63	442,274.74	787,119.37
Including: Provision	344,844.63	304,026.22	648,870.85
Business combination		138,248.52	138,248.52
Decrease in current period	8,093,679.07	14,971.17	8,108,650.24
Including: Disposal		10,813.17	10,813.17
Business combination	8,093,679.07	4,158.00	8,097,837.07
Closing Balance		595,770.61	595,770.61
Net value of intangible assets			
Closing Book Value		2,652,751.94	2,652,751.94
Opening Book Value	24,560,095.56	336,718.26	24,896,813.82

At the reporting period end, intangible assets formed through the Company's internal research and development accounts for 29.24% of intangible assets balance.

16. Development expenditures

Item	Opening balance	Addition this period		Elimination this period		Closing balance
		Internal development expenditures	Others	Recognition as intangible assets	Transfer into current profit or loss	
Bidding platform		3,810,240.41		950,000.00		2,860,240.41

Item	Opening balance	Addition this period		Elimination this period		Closing balance
		Internal development expenditures	Others	Recognition as intangible assets	Transfer into current profit or loss	
Total		3,810,240.41		950,000.00		2,860,240.41

17. Goodwill

17.1 Original cost of goodwill

Investee's name or items resulting in goodwill	Opening balance	Addition this period		Elimination this period		Closing balance
		Business combination		Disposal		
Beijing Hongtai Xinghua Economic And Trade LLC	3,656,903.21					3,656,903.21
Arch-Harmony Architecture Design Co., Ltd	18,153,748.65					18,153,748.65
Anhui Province Luwang Traffic Construction Group Corporation Limited	140,619,150.79					140,619,150.79
Nantong Yuheng Real Estate Co.,Ltd.	1,192,644.23			1,192,644.23		
Tianjin Yuhai Housing Leasing Co.,Ltd.	9,659,650.01				0.01	9,659,650.00
Nantong Yucheng Construction Co.,Ltd.		11,708,090.65				11,708,090.65
HaoJiaHengYe Construction Development Co.,Ltd.		12,119,431.21				12,119,431.21
Jiangsu Jiangzhou Construction Development Co.,Ltd.		9,028,045.97				9,028,045.97
Nanjing Garden Industrial Co.,Ltd		64,725,975.94				64,725,975.94
Total	173,282,096.89	97,581,543.77		1,192,644.23	0.01	269,670,996.42

2) Description of impairment test method and provision for impairment of goodwill

The goodwill of the Company is formed by the merger of enterprises not under common control and is measured at the difference between the combined cost and the fair value of the identifiable net assets of the purchased entity. The initial recognition of goodwill, is measured at the cost of deducting the accumulated impairment loss, is not amortized but is subject to impairment test at the end of each year.

Tested for impairment of goodwill includes asset group or combination of asset groups, comparing the related asset group or combination of asset groups' book value (Including the book value of the apportionment of goodwill) with the recoverable amount, for instance, the recoverable amount of asset group or combination of asset groups is lower than the book value, confirm the impairment loss of goodwill. Impairment losses of goodwill should not be reversed as long as they are stated.

At the balance sheet date, the company tests impairment of goodwill. According to the future financial budget, comparing the book value of goodwill (including the book value of the apportioned goodwill) to its recoverable amount. Based on tests, the Company's management believes that impairment provision is not required.

18. Long-term prepaid expenses

Item	Opening Balance	Increase in the current period	Amortization for the current period	Other decreases	Closing Balance
Rental fee	6,730,765.00	1,042,642.63	1,604,587.60		6,168,820.03
Renovation fee	29,362,360.13	6,877,591.20	4,569,637.63	557,239.14	31,113,074.56
Borrowing costs		4,449,994.89	2,581,408.15		1,868,586.74
Nursery facilities fee		5,380,625.30			5,380,625.30
Total	36,093,125.13	17,750,854.02	8,755,633.38	557,239.14	44,531,106.63

19. Deferred tax assets/ deferred tax liabilities

19.1 Deferred tax assets before offset

Item	Closing Balance		Opening Balance	
	Deductible Temporary Differences	Deferred Tax Assets	Deductible Temporary Differences	Deferred Tax Assets
Provision for asset impairment	584,896,053.68	146,224,013.42	385,168,838.68	96,292,209.67
Valuation of appreciation of business combination assets not under common control	15,755,392.60	3,938,848.15	22,312,935.87	5,578,233.97
Total	600,651,446.28	150,162,861.57	407,481,774.55	101,870,443.64

19.2 Deferred tax liabilities before offset

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Valuation of appreciation of business combination assets not under common control	95,464,165.53	23,866,041.38	86,471,289.20	21,617,822.30
Fair value changes of available for sale assets	15,000,000.00	3,750,000.00		
Total	110,464,165.53	27,616,041.38	86,471,289.20	21,617,822.30

20. Other non-current assets

Item	Closing Balance	Opening Balance
Temporary facilities	11,899,796.30	23,080,605.37
Entrusted Loan		200,000,000.00
PPP Project equity investment	391,964,000.00	
Total	403,863,796.30	223,080,605.37

21. Short-term borrowings

21.1 Categories of short-term borrowings

Category	Closing Balance	Opening Balance
Pledged borrowings	13,500,000.00	30,090,000.00
Mortgage borrowings	158,000,000.00	158,900,000.00
Guaranteed borrowings	2,821,800,000.00	2,339,000,000.00
Credit borrowings	300,000,000.00	40,000,000.00
Total	3,293,300,000.00	2,567,990,000.00

22 .Notes payable

Category	Closing Balance	Opening Balance
Bank acceptances	1,498,360,066.00	1,925,480,000.00
Commercial acceptances	195,196,542.38	
Domestic Letter of Credit	20,000,000.00	163,250,000.00
Total	1,713,556,608.38	2,088,730,000.00

23 .Accounts payable

23.1Presentation of accounts payable

Item	Closing Balance	Opening Balance
Trade payable	2,274,702,762.52	1,594,359,822.27
Others	301,962,729.24	55,081,774.74
Total	2,576,665,491.76	1,649,441,597.01

23.2 Description of significant accounts payable aging more than 1 year.

Item	Closing Balance	Reason for not being settled
Nantong Yuda Construction Services Co., Ltd	44,560,099.47	Not yet settled
Qingdao Zhonglian Concrete Engineering Co., Ltd	21,925,453.60	Not yet settled
Hangzhou Win World Construction Co., Ltd	16,285,012.56	Not yet settled
Shandong Niuwang Concrete Co., Ltd.(Jinan Huashan Branch)	15,565,102.45	Not yet settled
Beijing Baishigao hardware machinery firm	13,095,009.87	Not yet settled
Qingdao Weili Commodities Concrete Co., Ltd	10,195,282.00	Not yet settled
Shanghai Pudong ready mixed concrete Co., Ltd	7,982,081.04	Not yet settled
Shanghai Jiangong Jialuo Concrete Co., Ltd	7,920,195.66	Not yet settled
Hefei Jianghuai concrete products LLC	5,623,772.31	Not yet settled
Qingdao Meilong Mortar Technology	4,817,602.55	Not yet settled

Item	Closing Balance	Reason for not being settled
Co., Ltd		
Qingdao Haofa Concrete Engineering Co., Ltd	4,675,445.00	Not yet settled
Total	152,645,056.51	

24 . Advance from customers

24.1Presentation of advances from customers

Item	Closing Balance	Opening Balance
Construction contract item	159,688,974.68	150,388,170.23
House payment		84,097,071.45
Other merchandise	221,774,440.14	52,080,034.85
Prepaid service charge	5,036,050.00	19,974,333.34
Total	386,499,464.82	306,539,609.87

24.2 Advances longer than 1 year are for customized product prepayments.

Item	Closing Balance	Reason for not settled
Jinan Crystal Materials Co., Ltd	22,965,941.80	Not yet settled
Ministry of Commerce	15,504,488.03	Not yet started
Anhui Traffic Investment Group Co., Ltd	597,170.72	Not yet settled
Total	39,067,600.55	

25 Employee benefits payable

25.1Employee benefits payable shown as follows:

Item	Opening Balance	Increase in Current Period	Decrease in Current Period	Closing Balance
Short-term benefits	831,952,535.30	3,806,401,671.70	3,645,150,440.77	993,203,766.23
Post-employment benefits--defined contribution plans	20,181,824.47	25,029,015.02	42,278,126.83	2,932,712.66
Total	852,134,359.77	3,831,430,686.72	3,687,428,567.60	996,136,478.89

25.2 Short-term employee benefits payable shown as follows:

Item	Opening Balance	Increase in Current Period	Decrease in Current Period	Closing Balance
Wages, bonuses, allowances and grants	803,530,489.87	3,740,354,157.57	3,565,284,581.55	978,600,065.89
Employees' welfare		8,610,353.54	8,610,353.54	
Social insurance premiums	25,834,432.99	53,015,460.74	66,611,320.02	12,238,573.71

Item	Opening Balance	Increase in Current Period	Decrease in Current Period	Closing Balance
Including: Medical insurance premium	20,145,710.85	31,748,132.35	45,960,843.32	5,932,999.88
Work-related injury insurance Premium	4,358,580.23	11,154,583.24	11,536,597.03	3,976,566.44
Maternity insurance premium	1,330,141.91	10,112,745.15	9,113,879.67	2,329,007.39
Housing funds	2,226,163.24	3,639,361.20	3,884,907.29	1,980,617.15
Labor union expenditures and employee education funds	361,449.20	782,338.65	759,278.37	384,509.48
Total	831,952,535.30	3,806,401,671.70	3,645,150,440.77	993,203,766.23

25.3 Defined Contribution Plan shown as follows:

Item	Opening Balance	Increase in Current Period	Decrease in Current Period	Closing Balance
Basic endowment insurance premium	10,271,007.39	24,032,111.90	31,576,575.46	2,726,543.83
Unemployment insurance premium	4,641,924.87	996,903.12	5,432,659.16	206,168.83
Enterprise annuity	5,268,892.21		5,268,892.21	
Total	20,181,824.47	25,029,015.02	42,278,126.83	2,932,712.66

26. Taxes payables

Item	Closing Balance	Opening Balance
Enterprise income tax	306,890,982.57	291,040,422.57
Value-added tax	129,103,399.21	1,291,581.63
Business tax		391,378,032.69
Increment tax on land value		-910,020.46
Land use tax	1,474.25	336,002.48
Property tax	611,604.59	646,724.72
Vehicle and vessel usage tax	34,952.88	
Urban maintenance and construction tax	20,306,584.40	26,609,547.48
Educational surcharge	14,534,288.75	20,614,960.63
Withholding individual income tax	289,246.73	20,703,299.43
Stamp duty	-450,016.19	-77,998.97
Others	5,311,546.71	9,366,850.97
Total	476,634,063.90	760,999,403.17

27. Interest payable

Item	Closing Balance	Opening Balance
Installment interest on long-term borrowings whose principal paid when matures	4,480,339.91	2,174,761.98
Interest on corporate debenture	25,374,329.34	14,551,278.55
Interest payable on short-term borrowings	11,074,376.65	3,816,005.41
Total	40,929,045.90	20,542,045.94

28. Dividends payable

Item	Closing Balance	Opening Balance
Dividends due to ordinary shareholders	33,317,492.79	22,150,936.00
Total	33,317,492.79	22,150,936.00

29. Other payables

29.1Categories by nature

Item	Closing Balance	Opening Balance
Fund intercourse	1,702,001,344.20	1,629,711,176.92
Deposit	9,566,451.51	20,195,657.01
Guarantee deposit	193,861,308.50	206,527,996.21
Enterprise income tax before liquidation	221,732,566.56	221,732,566.56
Others	38,597,227.81	423,225.07
Total	2,165,758,898.58	2,078,590,621.77

29.2 Other important payables aging more than 1 year

Item	Closing Balance	Reasons for Being Unpaid or Transferred
Enterprise income tax before liquidation	221,732,566.56	Not yet settled
Jiangsu Changjiangkou Development Group Co., Ltd	15,933,330.00	Not yet settled
Nantong Yuda Construction Services Co., Ltd	11,200,000.00	Not yet settled
Total	248,865,896.56	

30. Non-current liabilities due within one year

Item	Closing Balance	Opening Balance
Long-term borrowings due within one year	687,642,790.44	46,641,215.17
Total	687,642,790.44	46,641,215.17

31. Other current liabilities

Item	Closing Balance	Opening Balance
Pending Changerover Substituted money on VAT	175,551,380.45	
Total	175,551,380.45	

32. Long-term borrowings

Item	Closing Balance	Opening Balance
Pledged borrowings	180,000,000.00	210,000,000.00
Mortgage borrowings		311,000,000.00
Guaranteed borrowings	1,209,126,098.17	454,556,030.76
Total	1,389,126,098.17	975,556,030.76

33. Bonds payable

33.1 Bonds payable exhibit by item

Item	Closing Balance	Opening Balance
Medium-term notes	696,701,063.33	694,747,067.93
Corporate bonds	991,794,746.76	
Privately raised medium-sized and small enterprises bonds	69,728,789.57	99,292,714.62
Total	1,758,224,599.66	794,039,782.55

33.2 Changes in bonds payable(excluding other financial tools like preferred stock categorized as financial liability or indefinite bonds)

Name of Bond	Nominal Value	Issuance Date	Bond Terms	Issuance Amount	Opening Balance
Medium-term notes	200,000,000.00	2014.11.6	3years	200,000,000.00	198,835,132.79
Medium-term notes	500,000,000.00	2015.9.15	3years	500,000,000.00	495,911,935.14
Corporate bonds	1,000,000,000.00	2016.10.31	5years	1,000,000,000.00	
Privately raised medium-sized and small enterprises bonds	100,000,000.00	2015.4.15	3years	100,000,000.00	99,292,714.62
Total	/	/	/	1,800,000,000.00	794,039,782.55

(Continued)

Name of Bond	Opening Balance	New Issuance in current period	Nominal interests	Converted/paid in current period	Amortization of premiums and discounts	Closing Balance
Medium-term notes		17,000,000.00	554,970.40			199,390,103.19
Medium-term notes		40,000,000.00	1,399,025.00			497,310,960.14
Corporate bonds	1,000,000,000.00	10,759,722.22	285,312.80		8,490,566.04	991,794,746.76
Privately raised medium-sized and small enterprises bonds		10,486,150.34	436,074.95	30,000,000.00		69,728,789.57
Total	1,000,000,000.00	78,245,872.56	2,675,383.15	30,000,000.00	8,490,566.04	1,758,224,599.66

34. Long-term payable

34.1 Long-term payable presented by nature

Item	Closing balance	Opening balance
Leaseback payables	30,766,525.61	52,287,630.16
Total	30,766,525.61	52,287,630.16

35. Share Capital (Unit: Share)

Item	Opening Balance	Increases/decreases in the current period (+, -)					Closing Balance
		Issuance of new shares	Share donation	Conversion of reserves funds into shares	Others[*]	Subtotal	
Total Number of Shares	501,280,000.00	94,924,692.00				94,924,692.00	596,204,692.00

36. Capital reserves

Item	Opening Balance	Increase in Current Period[*]	Decrease in Current Period[**]	Closing Balance
Share premium(note 1)	4,586,371,742.92	894,064,459.30		5,480,436,202.22
Other capital reserves(note 2)	278,499.66		278,499.66	
Total	4,586,650,242.58	894,064,459.30	278,499.66	5,480,436,202.22

(Note 1) The Company increased its capital by CNY 50.128 million on April 22nd ,2016, the total number of shares increased by 50,128,000 shares and paid a premium at CNY 288.8611423 million. (2) The Company issued 44,796,692 shares by private placement on October 31st, 2016, resulting in a premium at CNY605.203317.

(Note 2) On February 28th, 2016, the Company transferred 90% equity of the subsidiary Nantong Sanjian Construction Labor Co., Ltd. to write down the difference of acquisition of minority

shareholder equity investments CNY 278,499.66 that transferred to current return on investments, which was recognized in the original consolidated financial statements.

37. Other Comprehensive Incomes

Item	Opening Balance	Current Period					Closing Balance
		Amount in current period before income tax	Less: Previously recognized in other comprehensive income transferred to profit or loss	Less: income tax	Amount attribute to parent company after tax	Amount attribute to non-controlling shareholders after tax	
Other consolidate incomes that will be reclassified into profit and loss		15,000,000.00		3,750,000.00	11,250,000.00		11,250,000.00
Include: share of profit or loss that under the equity method investees will reclassify into profit and loss							
Changes in fair value of available for sale financial assets		15,000,000.00		3,750,000.00	11,250,000.00		11,250,000.00
Gains or losses from converting hold to maturity investments to financial assets available for sale.							
Valid portion of the gains or losses from cash flow hedging							
Difference from conversion of financial statements in foreign currency		-39.60			-39.6		-39.6
Other comprehensive Income Total		14,999,960.40		3,750,000.00	11,249,960.40		11,249,960.40

38. Special reserves

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Safety production cost	95,557,338.59	385,133,921.97	453,877,723.54	26,813,537.02
Maintenance fee				
Total	95,557,338.59	385,133,921.97	453,877,723.54	26,813,537.02

39. Surplus reserves

Item	Opening Balance	Increase in Current Period	Decrease in Current Period	Closing Balance
Statutory surplus reserves		74,516,610.07		74,516,610.07
Total		74,516,610.07		74,516,610.07

40. Undistributed profit

Item	Closing Balance	Appropriation or allocation proportion
Undistributed profit before adjustment at the end of the last year	139,112,642.24	
Adjustment in the total undistributed profit at the beginning of year [*]		
Undistributed profit after adjustment at the beginning of year	139,112,642.24	
Plus: net profit attributable to owners of the parent company for the current period	703,136,369.03	
Surplus reserves offsetting losses		
Less: Withdrawal of statutory surplus reserves	74,516,610.07	
Withdrawal of discretionary surplus reserves		
Withdrawal of general risk preparation		
Ordinary share dividends payable [**]		
Conversion of ordinary share dividends into share capital		
Others	-856,338.24	
Undistributed profit at the end of the period	768,588,739.44	

【Note】 The disposal of the subsidiary –Haimen Sanjian Rural Microfinance Co.,Ltd.., turning back the general risk reserve attributable to the parent company. As the parent company does not belong to non-financial institutions, the turned back general risk reserve was transferred to undistributed profit.

41. Operating income and operating costs

Item	Current Period		Previous Period	
	Operating income	Operating cost	Operating income	Operating cost
Primary business	20,132,486,199.83	18,075,076,694.59	18,516,238,480.50	16,503,679,233.54
Other business	145,389,444.30	2,640,694.30	228,368,796.57	153,080,047.39
Total	20,277,875,644.13	18,077,717,388.89	18,744,607,277.07	16,656,759,280.93

Top five Companies with the largest balances of the operating income

Company name	Amount	Proportion in the total (%)
Zhongfang Real Estate (Suzhou) Co., Ltd.	1,048,718,518.33	5.17
Jimo Ding Tide Development and Construction Co., Ltd	610,275,584.15	3.01
Shandong Tianle Property Co., Ltd	388,349,514.56	1.92
Jiangsu Huake Building Materials Co., Ltd	377,397,080.62	1.86
Jimo International Trade City Development Investment Co., Ltd.	332,449,532.81	1.64
Total	2,757,190,230.47	13.60

42. Business taxes and surcharges

Item	Current Period	Previous Period
Business tax	169,771,913.24	559,180,256.10
Urban maintenance and construction tax	30,626,315.13	38,688,457.18
Educational surcharge	23,710,814.52	28,121,989.30
Property tax	665,143.19	
Land use tax	50,471.02	
Vehicle and vessel usage tax	16,251.16	
Stamp duty	1,874,471.74	
Increment tax on land value	70,819.02	2,035,003.52
Comprehensive fund	2,015,185.56	1,663,774.24
Other	3,243,159.49	8,541,299.91
Total	232,044,544.07	638,230,780.25

43. Selling and distribution expenses

Item	Current Period	Previous Period
Shipping fee	3,231,271.25	471,382.86
Exhibition fee	301,151.60	
Advertising fees	1,980,986.78	3,821,615.32
Payroll	301,446.49	1,961,216.22
operational expenditures	707,873.85	
Depreciation	25,973.02	74,121.17
Hospitality fee	1,012,169.30	706,089.13
Rental		1,307,000.00
Other expenses	2,686,633.68	2,626,573.66
Total	10,247,505.97	10,967,998.36

44. General and administrative expenses

Item	Current Period	Previous Period
Company overhead expenditure	193,428,259.31	241,335,364.84
Directors' meeting fee	659,897.17	
Trade union fee	86,256.65	70,000.00
Intermediaries fee	13,539,006.97	1,836,000.00
Consulting fee (Including consultant fee)	6,854,630.36	9,949,508.59
Hospitality fee	15,182,108.10	18,127,652.42
Litigation fee	1,132,365.00	744,116.37
Taxes	6,314,118.96	3,251,250.66
Share-based payment	288,861,142.30	

Item	Current Period	Previous Period
Total	526,057,784.82	275,313,892.88

45. Financial expenses

Item	Current Period	Previous Period
Interest expenses	337,443,708.52	172,443,841.41
Less: Interest income	228,713,607.17	67,699,606.27
Plus: Losses from currency exchange	-694,811.37	-166,906.45
Bank charges	5,431,869.82	10,709,026.37
Note discounting charges	77,852,771.74	86,217,461.92
Cash discount		
Others	9,566,470.27	6,998,769.00
Total	200,886,401.81	208,502,585.98

46. Impairment losses

Item	Current Period	Previous Period
Bad debts loss	189,328,569.40	-69,024,717.42
Loans loss	-945,212.00	3,211,268.39
Total	188,383,357.40	-65,813,449.03

47. Gains or losses of fair value changes

Origins of gains or losses of fair value changes	Current Period	Previous Period
Financial assets measured at fair value and changes through current profit or losses		-467,786.28
Including: Gains or losses of fair value changes arising from derivative financial instruments		
Total		-467,786.28

48. Investment income

Item	Current Period	Previous Period
Investment income from long-term equity investments under the equity method	-60,170.36	527,019.18
Investment income from disposing long-term equity investments	32,823,275.90	
Investment income from disposing financial assets measured at fair value and changes through current profit or losses	-381,997.78	2,293.23
Investment income gained during the period of holding the available-for-sale financial assets and others	2,800,000.00	5,000,000.00
Others	16,494,312.19	10,875,259.69
Total	51,675,419.95	16,404,572.10

49. Non-operating income

Item	Current Period	Previous Period	The amount included in the extraordinary gains and losses of the current period
Sub-total of gains from disposal of non-current assets	1,601,680.41	434,970.85	1,601,680.41
Including: Gains from disposal of fixed assets	1,601,680.41		1,601,680.41
Gains from disposal of intangible assets		434,970.85	
Government grants [*]	1,109,900.00	380,800.00	1,109,900.00
Net amercement income	16,983.28		16,983.28
Others	2,325,046.86	3,697,675.10	2,325,046.86
Total	5,053,610.55	4,513,445.95	5,053,610.55

50. Non-Operating Expenses

Item	Current Period	Previous Period	The Amount Included in Extraordinary Gains & Losses in Current Period
Sub-total of Losses from Disposal of Non-Current Asset	324,892.48	923,557.45	324,892.48
Including: Losses from Disposal of Fixed Assets	324,892.48	923,557.45	324,892.48
Donation expenses	381,000.00	136,800.00	381,000.00
Net amercement expense	2,939,570.44		2,939,570.44
Other	1,130,842.00	3,981,218.72	1,130,842.00
Total	4,776,304.92	5,041,576.17	4,776,304.92

51. Income Tax Expense

51.1 Statement of Income tax Expense

Item	Current Period	Previous Period
Current Period Income Tax	394,452,753.40	277,411,203.41
Deferred Income Tax	-40,739,629.04	18,551,567.17
Total	353,713,124.36	295,962,770.58

51.2 Adjustment for Accounting Profit and Income Tax Expense

Item	Current Period Amount
Total Profit	
Income Tax Expenses Determined by Statutory/Applicable Tax Rate	1,094,491,386.75

Item	Current Period Amount
Impact from Subsidiaries' Different Tax Rates	273,622,846.69
Non-Deductible Costs, Expenses and Losses	80,090,277.67
Income Tax Expense	353,713,124.36

52. Net other comprehensive income after tax

Please refer to Note V-37 Current period for details

53. Consolidated Cash Flow Items

53.1 Cash Received from Other Operation Activities

Item	Current Period	Previous period
Bank deposit and interest income	93,631,256.68	42,446,662.16
Government grants and non -operating income	3,451,930.14	4,078,475.10
Cash received from deposit	87,168,276.81	207,262,944.30
Other fund intercourse	58,725,804.12	1,614,858,611.01
Total	242,977,267.75	1,868,646,692.57

53.2 Cash Paid for Other Operating Activities

Item	Current Period	Previous Period
Other expenses paid in the selling and distribution expenses	9,920,086.46	8,932,660.97
Other expenses paid in the general and administrative expenses	91,384,622.20	152,539,960.46
Bank charges and other financial expenses	14,998,340.09	17,707,795.37
Cash Paid from deposit	58,725,804.12	244,764,442.23
Donation and other non-operating expenses	4,451,412.44	4,118,018.72
Other fund intercourse	31,991,098.73	17,699,480.26
Total	211,471,364.04	445,762,358.01

53.3 Cash Received from Other Investing Activities

Item	Current Period	Previous Period
Cash Received from inter-firm lending	344,090,722.26	
Total	344,090,722.26	

53.4 Cash Paid for Other Investing Activities

Item	Current Period	Previous Period
Cash Paid for inter-firm lending	2,928,521,071.75	206,134,393.75
Total	2,928,521,071.75	206,134,393.75

53.5 Cash Paid for Other Financing Activities

Item	Current Period	Previous Period
Guarantee fee	180,000.00	1,902,000.00
Frozen deposits		91,931.30
Letter of Guarantee deposit		857.92
Total	180,000.00	1,994,789.22

54. Supplementary Information to Consolidated Statement of Cash Flow

54.1 Supplementary Information to Consolidated Statement of Cash Flow

Item	Current Period	Previous Period
1. Reconciliation of net profit to cash flow from operating activities		
Net Profit	740,778,262.39	740,092,072.72
Add: Provision for Asset Impairment	188,383,357.40	-65,813,449.03
Depreciation of Fixed Asset, Oil & Gas Assets and Productive Biological Assets	73,323,504.07	63,242,116.69
Amortization of Intangible Assets	648,870.85	961,131.10
Amortization of Long-Term Deferred Expenses	8,755,633.38	1,860,277.66
Losses from Disposal of Fixed Assets, Intangible Assets and Other Long-Term Assets	-1,276,787.93	-434,970.85
Losses on Write-off of Fixed Assets		923,557.45
Losses from Changes in Fair Value		467,786.28
Financial Expenses	336,748,897.15	258,494,396.88
Losses on Investments	-51,675,419.95	-16,404,572.10
Decrease in Deferred Tax Asset	-47,095,839.35	19,596,211.54
Increase in Deferred Tax Liabilities	6,356,210.31	-1,044,644.37
Decrease in Inventory	-2,382,319,967.95	-4,233,173,104.76
Decrease in Operation Receivables	-1,984,331,783.30	-186,831,662.42
Increase in Operation Payables	2,888,699,752.23	3,200,985,538.23
Other	288,861,142.30	

Item	Current Period	Previous Period
Net Cash Flow from Operating Activities	65,855,831.60	-217,079,314.98
2. Significant Investing and Financing Activities not Involving Cash Flow:		
Conversion of Debt into Capital		
Convertible Bonds Maturing within 1 Year		
Fixed Assets Acquired under Financial Lease		
3. Net Change in Cash & Cash Equivalents		
Closing Balance of Cash	1,629,078,469.07	1,150,724,613.40
Less: Opening Balance of Cash	1,150,724,613.40	981,739,160.70
Add: Closing Balance of Cash Equivalent		
Less: Opening Balance of Cash Equivalents		
Net Change in Cash and Cash Equivalents	478,353,855.67	168,985,452.70

54.2 Net Cash Paid during Current Period for Subsidiaries' Acquisitions

Item	Amount
Cash & Cash Equivalents Paid for Business Combinations during Current Period	372,876,000.00
Including: Nantong Yucheng Construction Co.,Ltd.	120,696,000.00
HaoJiaHengYe Construction Development Co.,Ltd.	105,000,000.00
Jiangsu Jiangzhou Construction Development Co.,Ltd.	65,080,000.00
Nanjing Garden Industrial Co.,Ltd.	82,100,000.00
Less: Cash & Cash Equivalents Held by Subsidiaries at Purchase	190,337,125.23
Including: Nantong Yucheng Construction Co.,Ltd.	19,091,248.29
HaoJiaHengYe Construction Development Co.,Ltd.	106,324,722.50
Jiangsu Jiangzhou Construction Development Co.,Ltd.	7,544,267.81
Nanjing Garden Industrial Co.,Ltd.	57,376,886.63
Add: Cash & Cash Equivalents Paid for Business Combinations during Previous Period	
Including: Nantong Yucheng Construction Co.,Ltd.	

Item	Amount
HaoJiaHengYe Construction Development Co.,Ltd.	
Jiangsu Jiangzhou Construction Development Co.,Ltd.	
Nanjing Garden Industrial Co.,Ltd.	
Net Cash paid for Subsidiaries' Acquisitions	182,538,874.77

54.3 Net cash received during Current Period from disposing Subsidiaries

Item	Amount
Cash & Cash Equivalents Received from disposing subsidiaries during Current Period	42,175,000.00
Including: Jiangsu Nantong Sanjian Real Estate Development Co.,Ltd.	160,000.00
Nantong Chen Yu Kun Investment Co.,Ltd.	9,165,000.00
HuaianDongqi Real Estate Co.,Ltd.	10,000,000.00
Zhuhai Jianrong Investment Holdings Co.,Ltd.	1,800,000.00
Changshu Changhe Real Estate Co.,Ltd.	3,750,000.00
HaimenSanjian Rural Microfinance Co.,Ltd.	8,000,000.00
Shanghai Hongmai Real Estate Co.,Ltd.	800,000.00
Nantong Yuheng Real Estate Co.,Ltd.	8,500,000.00
Less: Cash & Cash Equivalents Held by Subsidiaries at the date of losing control	60,832,817.69
Including: Jiangsu Nantong Sanjian Real Estate Development Co.,Ltd.	1,430,500.82
Nantong Chen Yu Kun Investment Co.,Ltd.	16,985,736.47
Huaian Dongqi Real Estate Co.,Ltd.	14,934,003.23
Zhuhai Jianrong Investment Holdings Co.,Ltd.	10,332,525.69
Changshu Changhe Real Estate Co.,Ltd.	6,198,867.25
Haimen Sanjian Rural Microfinance Co.,Ltd.	180,723.05
Shanghai Hongmai Real Estate Co.,Ltd.	6,897,522.44
Nantong Yuheng Real Estate Co.,Ltd.	3,872,938.74
Add: Cash & Cash Equivalents Received from disposing subsidiaries during Previous Period	
Net cash Received from disposing subsidiaries	-18,657,817.69

54.4 Composition of Cash & Cash Equivalent

Item	Closing Balance	Beginning Balance
1. Cash	1,629,078,469.07	1,150,724,613.40
Including: Cash On Hand	32,008,977.70	38,809,970.58
Unrestricted Bank Deposit	1,595,421,513.09	1,111,914,642.82
Other Unrestricted Cash & Cash Equivalents	1,647,978.28	
2. Cash Equivalents		
Including: Bond Investment Maturing within 3 Months		
3. Closing Balance of Cash & Cash Equivalents	1,629,078,469.07	1,150,724,613.40
Including: Restricted Cash & Cash Equivalents Belonged to Parent Company or Subsidiaries		

55. Assets with Restricted Ownership or Use Rights

Item	Closing Book Balance	Reason for Restriction
Cash & Cash Equivalents	1,289,782,713.64	Bank acceptance bill deposit、Letter of Guarantee deposit、Mortgage loan, frozen deposit
Fixed assets	62,644,808.74	Guarantee deposit
Long-tern receivables	200,000,000.00	The bond issue is pledged with the receivables of the "Guangde project"
Total	1,552,427,522.38	

56. Foreign Currency Transactions

56.1 Foreign Currency Transactions

Item	Closing Balance in Foreign Currency	Exchange Rate	Closing Balance in CNY
Cash & Cash Equivalents			23,342,545.41
Including: USD	3,266,753.69	6.9370	22,661,470.35
EUR	2.55	7.3068	18.63
XOF	35,102,046.00	0.0110	386,122.51
IRR	1,108,720.00	0.0323	35,811.66
CDF	12,835,690.00	0.0057	73,163.43
AMD	295,600.00	0.0143	4,227.08
AOA	3,918,855.09	0.0421	164,983.80
ZMK	28,343.13	0.5909	16,747.96

56.2 Foreign Business Entities Disclosure

Company	Operation Site	Functional Currency	Choosing Reason
Nantong Sanjian International Co., Ltd	Hong Kong	HKD	The revenue and expenditure shall be based on the functional Currency
Jiangsu Nantong Sanjian Construction Group (HK) Co.,Ltd	Hong Kong	HKD	The revenue and expenditure shall be based on the functional Currency
Nantong Sanjian (Macao) Co.,Ltd	Macao	MOP	The revenue and expenditure shall be based on the functional Currency

VI. Changes in Consolidated Scope

1. Business Combination not under common Control

1.1 Business Combination not under Common Control during Current Period

Acquiree's name	Time point of acquiring share holdings	Cost of acquiring share holdings	Proportions of acquiring share holdings (%)	Ways of acquiring share holdings	Acquisition date	Basis of determining acquisition date	Acquiree's revenue from acquisition date to period end	Acquiree's net profit from acquisition date to period end
Nantong Yucheng Construction Co.,Ltd.	30th April 2016	120,696,000.00	100	Shares Transfer	30th April 2016	Actual control transfer	304,151,267.67	19,846,869.19
HaoJiaHengYe Construction Development Co.,Ltd.	30th April 2016	105,000,000.00	100	Shares Transfer	30th April 2016	Actual control transfer	148,966,064.46	12,251,335.23
Jiangsu Jiangzhou Construction Development Co.,Ltd.	30th April 2016	65,080,000.00	100	Shares Transfer	30th April 2016	Actual control transfer	150,693,416.54	8,938,260.68
Nanjing Garden Industrial Co.,Ltd	30th April 2016	82,100,000.00	100	Shares Transfer	30th April 2016	Actual control transfer		

1.2 Combination cost and goodwill

Combination cost	Nantong Yucheng Construction Co.,Ltd.	HaoJiaHengYe Construction Development Co.,Ltd	JiangsuJiangzhou Construction Development Co.,Ltd.	Nanjing Garden Industrial Co.,Ltd
--Cash	120,696,000.00	105,000,000.00	65,080,000.00	82,100,000.00
Less: Proportion of fair value of net identifiable assets acquired	108,987,909.35	92,880,568.79	56,051,954.03	17,374,024.06
Goodwill	11,708,090.65	12,119,431.21	9,028,045.97	64,725,975.94

1.3 Identifiable assets and liabilities of acquires at the date of acquisition date

Item	Nantong Yucheng Construction Co.,Ltd.		HaoJiaHengYe Construction Development Co.,Ltd	
	Fair value at the acquisition date	Book value at the acquisition date	Fair value at the acquisition date	Book value at the acquisition date
Assets:	1,848,870,238.82	1,807,994,509.88	830,321,137.76	828,861,513.10
cash	388,498,748.29	388,498,748.29	166,324,722.50	166,324,722.50
Account receivables	1,305,287,787.04	1,305,287,787.04	512,859,897.39	512,859,897.39

Item	Nantong Yucheng Construction Co.,Ltd.		HaoJiaHengYe Construction Development Co.,Ltd	
	Fair value at the acquisition date	Book value at the acquisition date	Fair value at the acquisition date	Book value at the acquisition date
Inventory	16,478,463.96	16,478,463.96	120,520,182.49	120,520,182.49
Fixed assets	77,613,983.97	36,738,255.03	10,808,724.97	9,349,100.31
Deferred tax assets	10,655,949.53	10,655,949.53	4,423,730.17	4,423,730.17
Liabilities:	1,736,412,319.02	1,726,193,386.78	737,440,568.97	737,075,662.80
Borrowings	523,000,000.00	523,000,000.00	174,000,000.00	174,000,000.00
Account payables	572,089,286.28	572,089,286.28	249,233,888.02	249,233,888.02
Deferred tax liabilities	10,218,932.24		364,906.17	
Net assets	112,457,919.80	81,801,123.10	92,880,568.79	91,785,850.30
Less: Non-controlling interests	3,470,010.45	3,470,010.45		
Net assets acquired	108,987,909.35	78,331,112.65	92,880,568.79	91,785,850.30

Item	Jiangsu Jiangzhou Construction Development Co.,Ltd.		Nanjing Garden Industrial Co.,Ltd	
	Fair value at the acquisition date	Book value at the acquisition date	Fair value at the acquisition date	Book value at the acquisition date
Assets:	485,801,050.50	479,408,115.93	427,342,556.16	428,228,290.02
Cash	102,544,267.81	102,544,267.81	57,376,886.63	57,376,886.63
Account receivables	364,938,335.61	364,938,335.61	60,948,790.58	60,948,790.58
Inventory	1,241,118.06	1,264,252.50	287,136,539.09	289,652,955.04
Fixed assets	7,262,173.29	851,887.89	2,364,777.00	1,242,795.31
Deferred tax assets	9,515,155.73	9,509,372.12	4,694,510.67	4,065,406.68
Liabilities:	429,749,096.47	428,146,525.12	409,968,532.10	409,674,922.06
Borrowings	220,000,000.00	220,000,000.00	85,000,000.00	85,000,000.00
Account payables	53,016,525.62	53,016,525.62	283,189,947.23	283,189,947.23
Deferred tax liabilities	1,602,571.35		293,610.04	
Net assets	56,051,954.03	51,261,590.81	17,374,024.06	18,553,367.96
Less: Non-controlling interests				
Net assets acquired	56,051,954.03	51,261,590.81	17,374,024.06	18,553,367.96

2. Disposed subsidiaries

2.1 Situation of losing control after disposing the investmentin the subsidiary only once

Item	Price of disposing equity shares	Percentage of disposing equity shares (%)	Way of disposing equity shares	Time point of losing control	Basis of determining time point of losing control	Difference of disposing price and the attributable share of net assets of the subsidiaries at the consolidated financial statements level corresponding to the investments disposed
Nantong Sanjian Construction Services Co., Ltd	11,070,000.00	90%	Shares Transfer	February 2016	Actual control transfer	
Nantong Chen Yu Kun Investment Co., Ltd.	91,650,000.00	100%	Shares Transfer	May 2016	Actual control transfer	-7,255,887.91
Zhuhai Jianrong Investment Holdings Co., Ltd	18,000,000.00	36%	Shares Transfer	March 2016	Actual control transfer	3,551,974.26
Haimen Sanjian Rural Microfinance Co., Ltd.	80,000,000.00	40%	Shares Transfer	June 2016	Actual control transfer	-8,599,536.65
Huaian Dongqi Real Estate Co., Ltd	100,000,000.00	100%	Shares Transfer	March 2016	Actual control transfer	20,254,673.59
Changshu Changhe Real Estate Co., Ltd	37,500,000.00	60%	Shares Transfer	March 2016	Actual control transfer	-3,753,852.89
Shanghai Hongmai Real Estate Co.,Ltd	8,000,000.00	100%	Shares Transfer	April 2016	Actual control transfer	18,223,789.34
Nantong Yuheng Real Estate Co., Ltd	85,000,000.00	85%	Shares Transfer	May 2016	Actual control transfer	3,081,922.92
Jiangsu Nantong Sanjian Real Estate Development Co., Ltd	1,600,000.00	Direct holding 20%, Indirect holdings 80%	Shares Transfer	May 2016	Actual control transfer	6,218,873.34

(continue)

Item	Percentage of residual equity shares at the date of losing control	Book value of residual equity shares at the date of losing control	Fair value of residual equity shares at the date of losing control	Gains or losses arising from re-measuring residual equity shares at fair value	Ways and main assumptions of determining fair value of residual equity shares at the date of losing control	Amount of other comprehensive income related to original equity investment in the subsidiary transferred to investment income
Nantong Sanjian Construction Services Co., Ltd.	10	820,000.00	1,230,000.00	410,000.00	According to the agreed price between the two parties	278,499.66
Nantong Chen Yu Kun Investment Co., Ltd						
Zhuhai Jianrong Investment Holdings Co., Ltd						
HaimenSanjian Rural Microfinance Co., Ltd.						
HuaianDongqi Real Estate Co., Ltd						
Changshu Changhe Real Estate Co., Ltd						
Shanghai Hongmai Real Estate Co., Ltd.						
Nantong yuhengReal Estate Co., Ltd.						
Jiangsu Nantong Sanjian Real Estate Development Co., Ltd						

3. Consolidated Scope Changes Due to Other Reasons

Name of the merged party	Time point of acquiring	registered capital	Percentage of disposing equity shares (%)	Way of disposing equity shares
Shanghai Shouyi Enterprise Management Center (limited partnership)	25th October 2016	200 million	70.965	New Set
Nantong Sanjian International Co., Ltd	10th November 2016	10000.00HKD	100.00	New Set
Jiangsu Nantong Sanjian Group Dalian Puwan New District Construction Engineering Co., Ltd	15th November 2016	1 million	100.00	New Set
Jiangsu Nantong Sanjian Construction Group (HK) Co.,Ltd.	17th October 2016	10000.00 HKD	100.00	New Set
Nantong Sanjian (Macao) Co.,Ltd.	10thNovember 2016	100,000.00MOP	100.00	New Set

VII. Interests in Other Entities

1. Interests in Subsidiaries

1.1. Group Composition:

Name of Subsidiary	Operation Site	Registration Place	Business Nature	Share-holding Ratio (%)		Acquisition Manner
				Direct	Indirect	
Jiangsu Nantong Sanjian Overseas Service Co., Ltd	Hai Men Jiang Su	Hai Men Jiang Su	architectural design	100		Set up
Jiangsu Nantong Sanjian Equipment Installation Engineering Co., Ltd	Hai Men Jiang Su	Hai Men Jiang Su	equipment installation	60		Set up
Shanghai Puzheng Architectural Design Co.,Ltd.	Shang hai	Shang hai	architectural design	100		Set up
Jiangsu Haiyu International Trade Co.,Ltd.	Hai Men Jiang Su	Hai Men Jiang Su	International trade	48		Shares Transfer
Nantong Sanjian Asset Management Co.,Ltd	Hai Men Jiang Su	Hai Men Jiang Su	engineering management	97.5		Set up
Wuhu Huafu Building Installation Engineering Co., Ltd	Wuhu	Wuhu	Building construction	100		Set up
Jiangsu Nantong Sanjian Group Shenyang Construction Co., Ltd	Shenyang	Shenyang	Building construction	100		Set up
Jiangsu Nantong Sanjian Group Dalian Construction Engineering Co., Ltd	Dalian	Dalian	Building construction	100		Set up
Beijing HongtaiXinghua Economic And Trade LLC	Beijing	Beijing	Building materials trade	100		Shares Transfer
Nantong Sanjian Construction General Contractor Co., Ltd	Hai Men Jiang Su	Hai Men Jiang Su	Construction works General contract management	100		Set up
Arch-Harmony Architecture Design Co., Ltd	Beijing	Beijing	Architectural Design Consultancy	60		Shares Transfer、Increase their capita
Anhui Province Luwang Traffic Construction Group Corporation Limited	Anhui	Anhui	Road network construction project	55		Increase their capital
Jiangsu Nantong Sanjian Group Changchun Construction Engineering Co., Ltd	Changchun Jilin	Changchun Jilin	Building Construction	100		Set up
ZhukeYunfu Technology （shanghai） Co.,Ltd	Shang hai	Shang hai	Network technology development	36		Set up
Jianyitong(Beijing) International Business Co., Ltd	Beijing	Beijing	Merchandise trade	60		Set up

Name of Subsidiary	Operation Site	Registration Place	Business Nature	Share-holding Ratio (%)		Acquisition Manner
				Direct	Indirect	
Tianjin Yuhai Housing Leasing Co., Ltd	Tianjin	Tianjin	Houses tenancy	100		Shares Transfer
Shanghai shouyiEnterprise Management Center (limited partnership)	Shanghai	Shanghai	Consultation service	70.965		Set up
Nantong Sanjian International Co.,Ltd	Hongkong	Hongkong	International trade	100.00		Set up
Jiangsu Nantong Sanjian Group Dalian Puwan New District Construction Engineering Co., Ltd	Dalian	Dalian	Building Construction	100.00		Set up
Jiangsu Nantong Sanjian Construction Group (HK) Co.,Ltd.	Hong kong	Hong kong	International trade	100.00		Set up
Nantong Sanjian (Macao) Co.,Ltd.	Macao	Macao	International trade	100.00		Set up

【Note】The Company holds a 36% stake of the Zhuke network technology (Shanghai) Co., Ltd. and the senior management of the Company holds a 10% stake of the Zhuke network technology (Shanghai) Co., Ltd. Nantong Yun Lida Investment Management Center (General Partnership) holds a 35% stake of the Zhuke network technology (Shanghai) Co., Ltd (the senior management of the Company is a partner of the Zhuke network technology (Shanghai) Co., Ltd. So Zhuke network technology (Shanghai) Co., Ltd that is incorporated into the scope of the company's consolidated financial statements.

1.2. Important Non-Wholly-Owned Subsidiaries

Name of Subsidiary	Proportion of Share Holdings of Non-Controlling Shareholders	Gains & Losses Attribute to Non-Controlling Shareholders during Current Period	Dividends Paid to Non-Controlling Shareholders during Current Period	Closing Balance of Non-Controlling Shareholders Interests
Jiangsu Haiyu International Trade Co., Ltd	52%	4,638,781.18		31,547,036.45
Anhui Province Luwang Traffic Construction Group Corporation Limited	45%	34,144,464.99		327,460,776.33
Yijiantong(Beijing) International Business Co., Ltd	40%	-1,525,090.76		-2,481,907.83

Statement for that the proportion of shareholding of the non-controlling shareholders of the subsidiary is different from the proportion of voting rights:

The Company holds a 48%stakeof Jiangsu Haiyu International Trade Co., Ltd. and the senior management of the Company is the legal representative of Jiangsu Haiyu International Trade Co., Ltd

1.3. Major Financial Information of Important Non-Wholly-Owned Subsidiaries

Item	Closing Balance			Opening Balance		
	Jiangsu Haiyu International Trade Co., Ltd.	Anhui Province Luwang Traffic Construction Group Corporation Limited	Yijiantong (Beijing) International Business Co., Ltd	Jiangsu Haiyu International Trade Co., Ltd.	Anhui Province Luwang Traffic Construction Group Corporation Limited	Yijiantong (Beijing) International Business Co., Ltd
Current Asset	444,321,344.54	880,202,839.39	116,423,509.59	843,453,730.72	1,000,709,434.66	153,647,853.31
Non-Current Asset	422,144.11	655,129,042.81	3,013,876.76	3,074,533.49	356,321,155.72	657,513.66
Total Asset	444,743,488.65	1,535,331,882.20	119,437,386.35	846,528,264.21	1,357,030,590.38	154,305,366.97
Current Liability	384,076,110.86	671,583,413.51	25,642,155.92	794,781,619.46	551,216,039.01	56,697,409.65
Non-Current Liability		135,954,469.49			160,763,338.98	
Total Liability	384,076,110.86	807,537,883.00	25,642,155.92	794,781,619.46	711,979,377.99	56,697,409.65
Operating Income	748,695,189.32	647,811,037.98	102,373,726.04	783,976,000.58	601,857,522.57	25,658,089.95
Net Profit	8,920,733.04	75,908,190.29	-3,812,726.89	-2,424,325.23	22,979,094.12	-2,392,042.68
Total Comprehensive Income	8,920,733.04	75,908,190.29	-3,812,726.89	-2,424,325.23	22,979,094.12	-2,392,042.68
Operating Cash Flow	-16,728,036.59	272,042,323.78	-123,818.24	-35,658,008.08	-147,292,409.89	-103,552,083.58

VIII. Related Parties and Related Party Transactions

1. The Parent Company of the Company

(Monetary unit: CNY'0,000)

Name of the Parent Company	Registration Place	Company Type	Registered Capital	Shareholding Proportion by the Parent Company (%)	Voting rights Proportion by the Parent Company	Ultimate Controller of the Company
Nantong Sanjian Holdings Co.,Ltd.	Hai Men Jiangsu	Industrial investment	453.82Million	76.12	76.12	Nantong Sanjian Holdings Co.,Ltd.

The description of the parent company of the company: The parent company of the Company Nantong Sanjian Holding Co., Ltd. was established on December 29, 2015. Legal representative: Huang Yuhui. The scope of business: industrial investment; investment and asset management; investment information consultation (Projects shall be subject to ratification in accordancewith law, the business activities can be carried out after the ratification of relative departments).

2. Subsidiaries of the Company:

For details please see Note Ⅶ.2.

3. Joint Venture and Associate of the Company

Name of subsidiary	Operation site	Registration place	Registered Capital	Business nature	Proportion of share-holding (%)		Accounting methods for investment in Joint Venture and Associate of the Company
					Directly	Indirectly	
Shenzhen ZhukeYunfu Technology Co.,Ltd	Shen zhen	Shen zhen	5million	Technology service	35	-	The accounting of equity returns by equity method
Shouci Industrial (Shanghai) Co.,Ltd.	Shang hai	Shang hai	50million	consultation service	30	-	The accounting of equity returns by equity method

4. Other related party of the Company:

Name of Other Related Party	Relationship with the Company
Nantong Jiechuang Investment Management Center (limited partnership)	Shareholders ,hold a 6.35% stake in the company
Haimen Development Investment Co., Ltd	Indirectly hold a 10.06% stake in the company
Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd	Equity investment
Jiangsu Nantong Sanjian Building Decoration Co., Ltd	Equity investment
Jin Hao (Hefei) Construction and Development Co., Ltd	Equity investment
Jiangsu Haimen Rural Commercial Bank Co., Ltd.	Equity investment
Jiangsu Haimen Jianxin Village Bank LLC	Equity investment
Zhongjihua (Zhangjiakou) Commercial Network Real Estate Development Co., Ltd	Investment, not participate in management, hold a 51% income distribution rights
Jiangsu Xinluda Construction Co., Ltd	Indirectly hold a 8.49%stake in the company with Ji Qiuye
Nantong Yucheng Construction Service Co., Ltd	Associated with senior management of the Company
Shanghai Mengzhi Investment Co., Ltd	Associated with senior management of the Company
Nantong Yuanpeng Construction and Installation Engineering Co., Ltd	Associated with senior management of the Company
Nantong Yuda Construction Services Co.,Ltd.	Indirectly hold a 8.49%stake in the company with Ji Qiuye
Huang Yuhui	Actual controller
Zhou Binggao	Actual controller
Shi Hui	Actual controller
Wei Bo	Actual controller

Name of Other Related Party	Relationship with the Company
Wang Weichong	Actual controller
Xu Ting	Actual controller
Yuan bei	Actual controller
Zhang fubin	Actual controller
Ji Qiuye	Indirectly hold a 8.49% stake in the company
Xu Zhulin	Indirectly hold a 5.70% stake in the company

5. Related Party Transactions

5.1 Related Transactions of Purchase and Sales of Goods / Supply and Receipt of Services

a) Statement of Purchase of Goods / Receipt ofServices

Name of Related Party	Transaction Content	Amount in 2016	Amount in 2015
Nantong Yuanpeng Construction and Installation Engineering Co., Ltd	Supply of services	42,688,837.50	46,625,470.00
Nantong Yuda Construction Services Co.,Ltd.	Supply of services	41,519,023.15	41,503,866.00

23.1 Related Party Guarantees:

The Company as Guarantor

Name of Guarantor	Name of Guarantee	Amount of Guarantee	Starting Date of Guarantee	Ending Date of Guarantee	Has the Guarantee Been Performed?
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd	30,000,000.00	2015-12-30	2016-12-30	Not yet
Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd	Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd	30,000,000.00	2015-8-12	2016-8-6	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd	20,000,000.00	2016-5-3	2017-3-11	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Jiangsu Nantong Sanjian Group Third Construction and	20,000,000.00	2016-6-13	2017-6-11	Not yet

Name of Guarantor	Name of Guarantee	Amount of Guarantee	Starting Date of Guarantee	Ending Date of Guarantee	Has the Guarantee Been Performed?
	Installation Engineering Co., Ltd				
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd	20,000,000.00	2016-6-8	2017-6-7	Not yet
HaoJiaHengYe Construction Development Co.,Ltd.	Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd	15,000,000.00	2016-11-23	2017-11-22	Not yet
HaoJiaHengYe Construction Development Co.,Ltd.	Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd	5,700,000.00	2016-3-30	2017-3-20	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Jiangsu Xinluda Construction Co., Ltd.	40,000,000.00	2016-3-10	2017-3-2	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Jiangsu Xinluda Construction Co., Ltd.	30,000,000.00	2015-9-25	2017-12-30	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Jiangsu Xinluda Construction Co., Ltd.	27,000,000.00	2015-12-28	2018-12-31	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Jiangsu Xinluda Construction Co., Ltd.	20,000,000.00	2016-2-1	2017-1-25	Not yet
Jiangsu Jiangzhou Construction and Development Co., Ltd	Jiangsu Xinluda Construction Co., Ltd.	15,000,000.00	2015-8-3	2016-8-3	Not yet
Jiangsu Nantong Sanjian Construction	Jiangsu Xinluda Construction Co., Ltd.	15,000,000.00	2015-8-3	2016-2-15	Not yet

Name of Guarantor	Name of Guarantee	Amount of Guarantee	Starting Date of Guarantee	Ending Date of Guarantee	Has the Guarantee Been Performed?
Group Co.,Ltd.					
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Yuda Construction Services Co.,Ltd.	5,000,000.00	2015-7-28	2016-7-28	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Yucheng Construction Service Co., Ltd	38,000,000.00	2016-3-31	2017-5-20	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Yuanpeng Construction and Installation Engineering Co., Ltd	20,000,000.00	2015-9-24	2016-12-31	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Yuanpeng Construction and Installation Engineering Co., Ltd	20,000,000.00	2015-12-1	2016-12-1	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Yuanpeng Construction and Installation Engineering Co., Ltd	10,000,000.00	2015-6-3	2017-6-2	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Shanghai Mengzhi Investment Co., Ltd	5,000,000.00	2016-5-31	2017-5-19	Not yet
		385,700,000.00			

The Company as Guarantee

Guarantor	Amount of Guarantee	Starting Date of Guarantee	Ending Date of Guarantee	Has the Guarantee Been Performed?
Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd	23,000,000.00	2016.03.01	2017.02.24	Not yet
Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co.,	42,000,000.00	2016.06.03	2017.05.31	Not yet

Guarantor	Amount of Guarantee	Starting Date of Guarantee	Ending Date of Guarantee	Has the Guarantee Been Performed?
Ltd				
Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd	30,000,000.00	2016.11.30	2017.11.29	Not yet
Haimen Urban Development Investment Co., Ltd	90,000,000.00	2016.11.22	2017.09.21	Not yet
Haimen Urban Development Investment Co., Ltd	100,000,000.00	2016.06.15	2017.06.15	Not yet
Haimen Urban Development Investment Co., Ltd	140,000,000.00	2016.06.16	2017.06.16	Not yet
Haimen Urban Development Investment Co., Ltd	45,000,000.00	2016.07.06	2017.07.06	Not yet
Haimen Urban Development Investment Co., Ltd	50,000,000.00	2016.07.19	2017.07.19	Not yet
Haimen Urban Development Investment Co., Ltd	300,000,000.00	2015.04.21	2017.04.20	Not yet
Haimen Urban Development Investment Co., Ltd	50,000,000.00	2016.05.20	2017.05.20	Not yet
Haimen Urban Development Investment Co., Ltd	50,000,000.00	2016.05.23	2017.05.23	Not yet
Haimen Urban Development Investment Co., Ltd	50,000,000.00	2014.06.27	2017.06.26	Not yet
Haimen Urban Development Investment Co., Ltd	85,000,000.00	2014.06.27	2017.06.26	Not yet
Haimen Urban Development Investment Co., Ltd	65,000,000.00	2014.06.27	2017.06.26	Not yet
Haimen Urban Development Investment Co., Ltd	30,000,000.00	2016.07.20	2017.07.19	Not yet
Haimen Urban Development Investment Co., Ltd	30,000,000.00	2016.07.20	2017.07.19	Not yet
Haimen Urban Development Investment Co., Ltd	20,000,000.00	2016.07.21	2017.07.20	Not yet
Haimen Urban Development Investment Co., Ltd	40,000,000.00	2016.07.21	2017.07.20	Not yet
Haimen Urban Development Investment Co., Ltd	60,000,000.00	2016.10.14	2017.10.14	Not yet
Guarantees for 8couples (8 actual controllers)	220,610,000.00	2016.04.29	2019.04.29	Not yet

Guarantor	Amount of Guarantee	Starting Date of Guarantee	Ending Date of Guarantee	Has the Guarantee Been Performed?
Guarantees for 8couples (8 actual controllers)	557,110,000.00	2016.08.16	2019.08.10	Not yet
Guarantees for 8couples (8 actual controllers)	202,000,000.00	2016.12.02	2019.01.11	Not yet
Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd	40,000,000.00	2016.12.23	2017.11.30	Not yet
	2,319,720,000.00			

23.2 Related Party funds

Related Party	Transaction Content	Starting Date	Ending Date	Description
Deposit funds:				
Jiangsu Xinluda Construction Co., Ltd.	70,000,000.00	2016.1.1	2016.12.31	Fund intercourse
Funds lent:				
Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd	5,000,000.00	2016.1.1	2016.12.31	Fund intercourse
Jiangsu Xinluda Construction Co., Ltd.	120,000,000.00	2016.1.1	2016.12.31	Fund intercourse

23.3 Key Management Compensation

Item	Amount in 2016	Amount in 2015
Compensation for Major Executives	7,227,154.69	6,835,729.75

24. Receivables and Payables of Related Parties

6.1 Receivables

Item	Related Party	Closing Balance		Opening Balance	
		Book Balance	Provision for Bad Debt	Book Balance	Provision for Bad Debt
Other receivables	Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd	42,111,185.66	1,263,335.57	91,175,735.66	2,740,918.26
Other	Jiangsu Nantong Sanjian	6,907,240.23	210,648.80	1,329,359.32	265,871.86

Item	Related Party	Closing Balance		Opening Balance	
		Book Balance	Provision for Bad Debt	Book Balance	Provision for Bad Debt
receivables	Building Decoration Co., Ltd				
Other receivables	Nantong Yuda Construction Services Co.,Ltd.			31,460.00	6,292.00
Other receivables	Nantong Yuanpeng Construction and Installation Engineering Co., Ltd	207,276.80	15,209.44	33,000.00	990.00
Other receivables	Jiangsu Xinluda Construction Co., Ltd	59,891,944.93	1,819,122.59		
Other receivables	Huang Yuhui			5,950,000.00	178,500.00
Other receivables	Shi Hui			5,187,169.50	965,615.09
Total		109,117,647.62	3,308,316.40	103,706,724.48	4,158,187.21

6.2 Payables

Item	Related Party	Closing Balance	Opening Balance
Other payables	Jiangsu Nantong Sanjian Building Decoration Co., Ltd	2,057,850.03	2,057,850.03
Other payables	Jiangsu Xinluda Construction Co., Ltd	8,795,259.50	72,196,706.48
Other payables	Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd	98,657.64	30,221,990.41
Other payables	Nantong Yuda Construction Services Co.,Ltd.	11,200,000.00	32,170,664.00
Other payables	Nantong Yuanpeng Construction and Installation Engineering Co., Ltd	150,000.00	
Other payables	Shi Hui		10,000.00
Other payables	Ji Qiuye	8,218,568.57	3,277,953.97
Total		30,520,335.74	139,935,164.89

IX. Share-based payment

1. Overall Share-based payment

Total amount of various equity instruments granted by the Company in the current period	50,128,000shares/issue
Total amount of rights of various equity instruments exercised by the Company in the current period	50,128,000shares/issue
Total amount of various equity instruments expired by the Company in the current period	

2. Equity-settled share-based payment

Method of determining fair value of equity instruments at the date of grant	Net assets per share on December 31, 2015
Basis of determining number of equity instruments whose rights can be exercised	Immediately exercise after granted
Reason for significant difference between estimate in the current period and estimate in the previous period	
Cumulative amount of equity-settled share-based payment recorded into capital reserves	288,861,142.30
Total expenses recognized of equity-settled share-based payment in the current period	288,861,142.30

Note] According to the resolution of the shareholders' meeting, the company issued 50,128,000 private placements to employees as 10% of the share capitals at the time of the company established, with the par value at CNY 1 per share. Evaluating the price by the net asset value per share at the company share reform base date, that is on December 31st, 2015, the total amount of equity-settled share-based payment in the current period was recognized at about CNY288,861,142.30 and included in capital reserve.

X. Commitments and Contingencies

1. Commitment Issues

As of December 31st, 2016, the company has no significant commitments need to be disclosed.

2. Contingencies

1) Contingent liabilities and their financial impacts which are caused by pending action or arbitration at the balance sheet date:

As of March 31st, 2017, there are 93 pending actions of the company in total, the amount of subjects involved is CNY 256 million. For some cases, the company may claim to the third party after taking breach of contract or liability, but the specific amount cannot be determined due to these unsolved cases; the company will not actually bear legal responsibility to some cases. The breakdown of contingent liabilities and their financial impacts which are caused by major cases (more than CNY 5 million) have been shown as following:

Serial number	creditor	The main content of the case	Amount involved (Million)	Expected amount of compensation or Legal Responsibility Impact estimates
1	Lu Jianhua, Zhang Yonglin	In October 2014, The Intermediate People 's Court of Nantong City, Jiangsu Province accepted the case that the plaintiff Lu Jianhua, Zhang Yonglin sued the company for a dispute over the construction contract. The amount of the case is CNY 29.862 million.	29.862	The company undertook the construction of the Angolan social housing project in Angola, Africa. The plaintiff Lu Jianhua, Zhang Yonglin took part in the subcontract construction of the above project, the settlement disputes with the company led to this lawsuit. According to the accounts of the subordinate international engineering company of the company, Lu Jianhua and Zhang Yonghua have not paid the payments in arrears in time and the arrears is much larger than the amount of subjects in this case. No trial has yet been scheduled, the trail results and the final amount involved is temporarily unable to determine, therefore, it is difficult to estimate

Serial number	creditor	The main content of the case	Amount involved (Million)	Expected amount of compensation or Legal Responsibility Impact estimates
				whether this lawsuit would finally bring the company adverse impact.
2	Zhejiang Tianhong Steel Structure Co., Ltd	In February 2015, Nanjing Jiangning District People's Court accepted the case that Zhejiang Tianhong Steel Co., Ltd. sued the Company for a dispute over the construction project subcontract. The amount of the case is CNY 8.079 million.	8.0790	The company undertook the construction of the plant project of Guodian Nanjing Automation Co., Ltd. During the construction process, the company subcontracted the steel structure of the project to plaintiff, because the project owner unit failed to pay the project funds timely, the company owed subcontracted payments to the plaintiff, furthermore, there is subcontracting settlement dispute between two sides, thus, prompting this lawsuit. As the amount of the case involved, it would be compensated from the subsequently recovered project fund, so it was expected that this case may have no significant adverse impact on the company.
3	Nanjing GuodianNanqi Power Grid Automation Co., Ltd	In December 2015, Nanjing Jiangning District People 's Court accepted the case that Nanjing State Power South Power Grid Automation Co., Ltd sued the company for a dispute over the construction contract. The amount of the case is CNY 7.01 million.	7.01	The company undertook the construction of production plant project of plaintiff, Nanjing GuodianNanzi Grid Automation Co., Ltd. The plaintiff defaulted on the project payment. In order to reduce and delay payments for the project, the plaintiff claimed the company to pay liquidated damages and other losses for construction delays and construction quality problems during construction process. The plaintiff and the company has not yet reached the final settlement on the payment of the project, however, according to the company estimates, the plaintiff's arrears of the company is about CNY 10 million, so it is expected this case has no significant adverse impact on the company.
4	Anhui Shenzhou Hospital Management Co., Ltd	On March 24th, 2016,Hefei Arbitration Commission accepted the case that Anhui Shenzhou Hospital Management Co., Ltd sued the company for a dispute over arbitration.The amount of the case is CNY5 million.	5.00	The company undertook the construction of a Divine Plaza. The plaintiff claimed the company to pay liquidated damages for construction delays. In fact, Plaintiff 's arrears is far greater than the amount of litigation, it is expected the case has no significant adverse impact on the company.
5	Beijing An Xie Hong Fire Equipment Co., Ltd	In June 2015, Beijing Daxing District People's Court accepted the case that Beijing An Xie Hong Fire Equipment Co., Ltd sued the company for a dispute over the construction project subcontracting. The amount of the case is CNY 6.68 million.	6.68	The company undertook the construction of the Beijing Xingsheng Industrial Park project. During the construction process, the company subcontracted the fire engineering of the project to the plaintiff. Because the project owner unit failed to pay the project funds timely, the company owed subcontracted payments to the plaintiff, furthermore, there is subcontracting settlement dispute between two sides, thus, prompting this lawsuit. As the amount of the case involved, it would be

Serial number	creditor	The main content of the case	Amount involved (Million)	Expected amount of compensation or Legal Responsibility Impact estimates
				compensated from the subsequently recovered project fund, so it was expected that this case may have no significant adverse impact on the company.
6	Jiangsu Huaneng Construction Engineering Group Co., Ltd	In July 2016, Nanjing Jiangning District People's Court acceptedthe case that JiangsuHuaneng Construction Engineering Group Co., Ltdsued the company for a dispute over the construction contract.The amount of the case isCNY 16.574 million.	16.5740	The company undertook the construction of the GuodianNanziJiangning smart grid industrial park production plant one and plant two Since the project owner unit failed to pay the project funds timely, the company owed steel fees to plaintiff, moreover, there was a dispute over the payment and settlement between the company and plaintiff, thus, prompting this lawsuit. As the amount of the case involved, it would be compensated from the subsequently recovered project fund, so it was expected that this case may have no significant adverse impact on the company.
7	Chongqing Xingyujiaye construction services Co., Ltd	In July 2016, Xuanhua District People's Court,Zhangjiakou City accepted the case that Chongqing XingyuJiaye Construction Services Co., Ltdsued the company for a dispute over the sale contract.The amount of the case isCNY 6.73 million.	6.73	The company undertook the construction of the ZhangjiakouXuanhua District Times Square, Since the project owner unit failed to pay the project funds timely, the company owed concrete fees to plaintiff, moreover, there was a dispute over the payment and settlement between the company and plaintiff, thus, prompting this lawsuit. As the amount of the case involved, it would be compensated from the subsequently recovered project fund, so it was expected that this case may have no significant adverse impact on the company.
	Total		79.9350	

2）At the balance sheet date, liabilities and financial liabilities of the Company and its subsidiaries for the provision of debt guarantees to other companies.

Name of Guarantor	Name of Guarantee	Amount of Guarantee	Starting Date of Guarantee	Ending Date of Guarantee	Has the Guarantee Been Performed?
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Changshu Changhe Real Estate Co.,Ltd.	300,000,000.00	2016-2-1	2018-2-4	Not yet

Name of Guarantor	Name of Guarantee	Amount of Guarantee	Starting Date of Guarantee	Ending Date of Guarantee	Has the Guarantee Been Performed?
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Haimen Radio and Television station	200,000,000.00	2014-1-27	2021-1-26	Not yet
Nantong Yucheng Construction Co., Ltd	Haimen Haigangshizheng Construction Engineering Co., Ltd	27,000,000.00	2016-7-12	2017-6-28	Not yet
Jiangsu Jiangzhou Construction and Development Co., Ltd	HaimenHongbo Construction Engineering Co., Ltd	8,000,000.00	2016-10-26	2017-10-25	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	HaimenHongfei Building Materials Distribution Co., Ltd	30,000,000.00	2015-11-30	2016-11-30	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	HaimenHuayu Construction & Installation Co., Ltd	20,000,000.00	2015-6-12	2016-6-12	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	HaimenHuayu Construction & Installation Co., Ltd	10,000,000.00	2016-1-21	2017-1-19	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Haimen Jin Lei Construction Engineering Co., Ltd	50,000,000.00	2015-11-30	2016-11-30	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Haimen Sanlian Construction and Installation Engineering Co., Ltd	16,000,000.00	2015-11-30	2016-11-30	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Haimen Sanlian Construction and Installation Engineering Co., Ltd	15,500,000.00	2015-9-30	2016-9-30	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Haimen Sanlian Construction and Installation Engineering Co., Ltd	10,000,000.00	2015-2-15	2016-2-15	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Haimen Sanlian Construction and Installation Engineering Co., Ltd	10,000,000.00	2015-8-10	2016-8-10	Not yet
Jiangsu Nantong Sanjian Construction	Longxin Construction Group Co., Ltd	300,000,000.00	2016-1-30	2018-1-30	Not yet

Name of Guarantor	Name of Guarantee	Amount of Guarantee	Starting Date of Guarantee	Ending Date of Guarantee	Has the Guarantee Been Performed?
Group Co.,Ltd.					
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Longxin Construction Group Co., Ltd	160,000,000.00	2016-1-1	2017-12-31	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Longxin Construction Group Co., Ltd	70,000,000.00	2015-5-18	2016-5-18	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nanjing huxinhutong Technology Co., Ltd	130,000,000.00	2015-8-21	2019-8-20	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Haier Construction Co., Ltd	30,000,000.00	2016-4-13	2017-4-12	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Haier Construction Co., Ltd	20,000,000.00	2016-3-16	2017-3-15	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Haier Construction Co., Ltd	13,000,000.00	2015-11-30	2016-11-30	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Haiyu Construction and Installation Engineering Co., Ltd	12,000,000.00	2015-1-5	2016-1-5	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Hongfeng Construction Engineering Co., Ltd	40,000,000.00	2015-8-31	2017-8-31	Not yet
HaoJiaHengYe Construction Development Co.,Ltd.	Nantong Hongfeng Construction Engineering Co., Ltd	20,000,000.00	2016-2-3	2017-6-3	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Huashuo Building Development Co., Ltd	25,000,000.00	2016-6-23	2017-6-22	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Huashuo Building Development Co., Ltd	22,000,000.00	2016-5-13	2017-5-12	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Huashuo Building Development Co., Ltd	20,000,000.00	2016-3-23	2017-3-22	Not yet
Jiangsu Nantong Sanjian Construction	Nantong huashuo Building Development	9,500,000.00	2016-11-10	2017-11-10	Not yet

Name of Guarantor	Name of Guarantee	Amount of Guarantee	Starting Date of Guarantee	Ending Date of Guarantee	Has the Guarantee Been Performed?
Group Co.,Ltd.	Co., Ltd				
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Huashuo Building Development Co., Ltd	8,000,000.00	2016-5-5	2017-5-4	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Huashuo Building Development Co., Ltd	25,000,000.00	2016-11-7	2017-11-7	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Huazhong Construction & Installation Development Co., Ltd	8,000,000.00	2016-7-1	2017-6-30	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Jia Guan Construction Services Co., Ltd	8,000,000.00	2015-7-10	2016-7-10	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Jia Guan Construction Services Co., Ltd	5,000,000.00	2015-7-20	2016-7-20	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Jingheng Construction and Installation Engineering Co., Ltd	20,000,000.00	2016-3-22	2017-4-20	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Kejun Construction Engineering Co., Ltd	9,000,000.00	2015-8-31	2016-8-31	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Kejun Construction Engineering Co., Ltd	10,000,000.00	2015-8-31	2016-8-31	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Rongxin Construction & Installation Co., Ltd	5,000,000.00	2016-1-25	2017-1-24	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Shengtai Construction Engineering Co., Ltd	10,000,000.00	2016-3-29	2017-3-28	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Shengtai Construction Engineering Co., Ltd	2,500,000.00	2016-4-28	2016-11-30	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Shengtai Construction Engineering Co., Ltd	2,500,000.00	2016-4-28	2016-12-3	Not yet

Name of Guarantor	Name of Guarantee	Amount of Guarantee	Starting Date of Guarantee	Ending Date of Guarantee	Has the Guarantee Been Performed?
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Shengtai Construction Engineering Co., Ltd	2,500,000.00	2016-4-28	2016-12-3	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Shengtai Construction Engineering Co., Ltd	2,500,000.00	2016-4-28	2016-12-6	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Shengtai Construction Engineering Co., Ltd	3,000,000.00	2016-4-28	2017-4-27	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Shengtai Construction Engineering Co., Ltd	20,000,000.00	2015-9-21	2017-9-21	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Shengkai Construction and Installation Engineering Co., Ltd	20,000,000.00	2015-3-10	2016-3-10	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Shengkai Construction and Installation Engineering Co., Ltd	10,000,000.00	2015-12-30	2016-12-30	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Shengkai Construction and Installation Engineering Co., Ltd	10,000,000.00	2016-6-6	2017-6-5	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Jin Lei construction engineering limited liability company	18,000,000.00	2016-3-1	2016-12-23	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Jin Lei construction engineering LLC	10,000,000.00	2015-12-8	2016-12-8	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Jin Lei construction engineering LLC	12,000,000.00	2015-12-11	2016-12-8	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Tongdong Construction Development Co., Ltd	23,000,000.00	2016-1-4	2017-1-31	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Tongdong Construction Development Co., Ltd	15,000,000.00	2015-7-10	2016-7-10	Not yet

Name of Guarantor	Name of Guarantee	Amount of Guarantee	Starting Date of Guarantee	Ending Date of Guarantee	Has the Guarantee Been Performed?
Nantong Tongdong Construction Development Co., Ltd	Nantong Tongdong Construction Development Co., Ltd	10,000,000.00	2015-12-24	2016-12-24	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Ze Ying Construction Engineering Co., Ltd	15,000,000.00	2015-3-27	2017-3-26	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong ZhongxiaConstruction General Contractor Co., Ltd	15,000,000.00	2016-1-28	2017-1-27	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Nantong Zhongqinconstruction material Trade Co., Ltd	20,000,000.00	2015-10-14	2016-10-14	Not yet
Jiangsu Nantong Sanjian Construction Group Co.,Ltd.	Shandong Tiancheng Municipal Highway Engineering Co., Ltd	360,000,000.00	2016-1-25	2017-1-25	Not yet
TOTAL		2,247,000,000.00			

（3）Litigation items arising from external guaranty

1. On October 20th, 2014, the Company compensated CNY 45 million Loans (principal and interest) for Nantong Xinhai Green Refrigerant Co., Ltd. In Haimen Branch of the Agricultural Bank of China. On October 24, 2014, the Company compensated CNY 60 million Loans (principal and interest) for Nantong Xinhai Green Refrigerant Co., Ltd. in Haimen branch of China Construction Bank. As of December 31st, 2016, the book balance of accounts receivable from that company was about CNY 105.512(principal and interest), bad debt was about CNY21.102millionand the book value was about CNY84.410 million. At present, the company is bankrupt, in order to safeguard the legitimate rights of the company's assets, the company has brought legal action against the counter guarantor, Jinbin couple, and is applying for their property.

2, On October 31st, 2014. the Company compensated CNY 50 million Loans (principal) for Jiangsu Jinxue Group Co., Ltd in Nantong branch of China Merchants Bank;On December 19th, 2014, the company compensated CNY 20 million Loans (principal and interest)for Jiangsu Jinxue Group Co., Ltd in Nantong Branch of Everbright Bank. As of December 31st, 2016, the book balance of accounts receivable from that company was about CNY 104.254 (principal and interest), bad debt was about CNY17.296 million and the book value was about CNY86.959 million. At present, the company is bankrupt, in order to safeguard the legitimate rights of the company's assets, the company has brought legal action against the counter guarantor, Jinbin couple, and is applying for their property.

XI. Post Balance Sheet Event

No significant post balance sheet events need to be disclosed.

XII. Notes to the Main Items of the Financial Statements of Parent Company (All currency unit is China Yuan (CNY), except other statements)

1. Accounts receivable

1.1 An analysis of accounts receivable by categories

Type	Closing balance				
	Book balance	Proportion (%)	Provision for bad debt	Proportion of Provision (%)	Book value
Accounts receivable with insignificant single amount for which bad debt provision separately accrued					
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:	3, 042, 959, 329. 58	100. 00	135, 865, 513. 81	4. 46	2, 907, 093, 815. 77
Accounts receivable with insignificant single amount for which bad debt provision separately accrued					
Total	3, 042, 959, 329. 58	/	135, 865, 513. 81	/	2, 907, 093, 815. 77

(Continued)

Category	Opening balance				
	Book balance	Proportion (%)	Provision for bad debt	Proportion of Provision (%)	Book Value
Accounts receivable with insignificant single amount for which bad debt provision separately accrued					
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:	2,505,529,401.00	100.00	111,523,006.51	4.45	2,394,006,394.49
Accounts receivable with insignificant single amount for which bad debt provision separately accrued					
Total	2,505,529,401.00	/	111,523,006.51	/	2,394,006,394.49

i. Aging analysis of the receivables is as follows:

Aging	Closing Balance			Opening balance		
	Book balance		Provision for bad debt	Book balance		Provision for bad debt
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	2,586,092,180.00	3.00	77,582,765.40	2,243,412,842.13	3.00	67,302,385.26
1-2 years	352,110,828.66	10.00	35,211,082.87	151,513,017.87	10.00	15,151,301.79
2-3 years	95,664,637.55	20.00	19,132,927.51	86,871,166.64	20.00	17,374,233.33
3-4 years	7,361,350.48	30.00	2,208,405.14	10,398,535.63	30.00	3,119,560.69

Aging	Closing Balance			Opening balance		
	Book balance		Provision for bad debt	Book balance		Provision for bad debt
	Amount	Proportion (%)		Amount	Proportion (%)	
4-5 years				9,516,626.57	50.00	4,758,313.29
Over 5 years	1,730,332.89	100.00	1,730,332.89	3,817,212.16	100.00	3,817,212.15
Total	3,042,959,329.58		135,865,513.81	2,505,529,401.00		111,523,006.51

1.2 Provision and recovery for bad and doubtful debt in the current period

The provision allowance of current period is CNY30,275,238.94. The recovery of current period is CNY 5,932,731.64

1.3 Top five entities with the largest balances of the account receivables

Company name	Closing Balance	Aging	Proportion in the total (%)
Shandong high speed Xicheng Real Estate Co., Ltd	161,973,971.20	Within 1 year	5.32
Changchun Jieshou Real Estate Development Co., Ltd	102,402,020.99	Within 1 year	3.37
Beijing Henglongxing Property Co., Ltd	79,588,652.85	Within 1 year45,773,725.78 CNY; 1-2years 33,814,927.07 CNY	2.62
Beijing ZhongjianXinghua Real Estate Development Co., Ltd	73,244,922.95	Within 1 year	2.41
Nanjing Dehao Real Estate Development Co., Ltd	71,986,982.29	1-2years	2.37
Total	489,196,550.28		16.09

2. Other receivables

2.1 Other receivables disclosed by categories

Category	Closing Balance				
	Book Balance	Proportion (%)	Provision for bad debt	Provision Proportion (%)	Book Value
Other receivables with insignificant single amount for which bad debt provision separately accrued					
Other receivables withdrawal of bad debt provision of by credit risks characteristics	5, 695, 948, 167. 69	100. 00	369, 466, 668. 95	6. 49	5, 326, 481, 498. 74
Other receivables with insignificant single amount for which bad debt provision separately accrued					
Total	5, 695, 948, 167. 69	/	369, 466, 668. 95	/	5, 326, 481, 498. 74

(Continued)

Category	Opening Balance				
	Book Balance	Proportion (%)	Provision for bad debt	Provision Proportion (%)	Book Value
Other receivables with insignificant single amount for which bad debt provision separately accrued					
Other receivables withdrawal of bad debt provision of by credit risks characteristics	3, 641, 051, 636. 56	100. 00	294, 056, 347. 10	8. 08	3, 346, 995, 289. 46
Other receivables with insignificant single amount for which bad debt provision separately accrued					
Total	3, 641, 051, 636. 56	/	294, 056, 347. 10	/	3, 346, 995, 289. 46

An analysis of provision under the aging analysis method

Aging	Closing Balance			Opening Balance		
	Account Receivable	Provision for bad debt	Proportion of Provision (%)	Account Receivable	Provision for bad debt	Proportion of Provision (%)
Within 1 year	4,042,859,638.52	121,285,789.16	3	2,666,689,679.21	80,511,574.06	3
1-2 years	1,170,142,070.29	117,014,207.03	10	680,443,069.02	66,492,167.30	10
2-3 years	412,910,693.44	82,582,138.69	20	64,242,108.10	12,546,809.61	20
3-4 years	12,764,534.37	3,829,360.31	30	37,671,139.76	11,301,341.93	30
4-5 years	25,032,114.62	12,516,057.31	50	137,602,372.55	68,801,186.28	50
Over 5 years	32,239,116.45	32,239,116.45	100	54,403,267.92	54,403,267.92	100
Total	5,695,948,167.69	369,466,668.95		3,641,051,636.56	294,056,347.10	

2.2 Provision and recovery for bad and doubtful other receivables in the current period.

The provision allowance of current period is CNY130,678,969.40 , The recovery of current period is CNY 55,268,647.55.

2.3 Analysis of other receivables by nature

Nature	Closing Book Balance	Opening Book Balance
Company and individual borrowings	3,722,914,034.88	1,568,106,281.35
Deposit	333,794,685.85	359,068,397.33

Nature	Closing Book Balance	Opening Book Balance
Imprest	58,774,164.60	54,850,468.77
Fund intercourse	1,580,465,282.36	1,659,026,489.11
Total	5,695,948,167.69	3,641,051,636.56

2.4 Top five entities with the largest balances of the other receivables

Company Name	Category	Closing Balance	Aging	Proportion in total receivables (%)	Provisioning amount at period end
Zhuhai ZhongruiZhaoyang Equity Investment Fund Management Co.,Ltd	Fund intercourse	466,968,182.65	Within 1 year258,233,333.33 CNY; 1-2 years 208,734,849.32 CNY	8.20	28,620,484.93
HaimenRonghui Real Estate Co.,Ltd.	Borrowings	385,856,910.46	Within 1 year	6.77	11,575,707.31
Nantong Yucheng Construction Co.,Ltd.	Borrowings	338,624,371.84	Within 1 year 338,374,984.24 CNY 1-2 years 249,387.60 CNY	5.95	10,176,188.29
Nantong Sanjian Asset Management Co.,Ltd.	Borrowings	300,365,095.73	Within 1 year	5.27	9,010,952.87
Haimen Jidacheng Construction Engineering Supervision Co.,Ltd.	Fund intercourse	286,533,333.33	Within 1 year	5.03	8,596,000.00
Total	/	1,778,347,894.01	/	31.22	67,979,333.40

3. Long-term equity investment

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book Value	Book balance	Provision for impairment	Book Value
Investment in subsidiary	1,175,014,000.00		1,175,014,000.00	1,231,689,857.66		1,231,689,857.66
Investment in associate, joint venture	2,439,829.64		2,439,829.64	49,144,535.53		49,144,535.53
Total	1,177,453,829.64	/	1,177,453,829.64	1,280,834,393.19	/	1,280,834,393.19

3.1. Investment in subsidiary

Investee	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Provision for impairment in the current period	Closing balance of provision for impairment
Nantong Sanjian Construction Services Co.,Ltd.	7,801,857.66		7,801,857.66			

Investee	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Provision for impairment in the current period	Closing balance of provision for impairment
Jiangsu Nantong Sanjian Real Estate Development Co.,Ltd.	1,600,000.00		1,600,000.00			
Jiangsu Nantong Sanjian Overseas Service Co., Ltd	5,000,000.00			5,000,000.00		
Nantong Chen Yu Kun Investment Co.,Ltd.	91,650,000.00		91,650,000.00			
Jiangsu Nantong Sanjian Equipment Installation Engineering Co., Ltd	9,000,000.00			9,000,000.00		
Shanghai Puzheng Architectural Design Co.,Ltd	3,000,000.00			3,000,000.00		
HuaianDongqi Real Estate Co.,Ltd.	100,000,000.00		100,000,000.00			
Jiangsu Haiyu International Trade Co.,Ltd.	24,000,000.00			24,000,000.00		
Nantong Sanjian Asset Management Co.,Ltd.	19,500,000.00			19,500,000.00		
Wuhu huafu Building Installation Engineering Co., Ltd	1,000,000.00			1,000,000.00		
Jiangsu Nantong Sanjian Group Shenyang Construction Co., Ltd	20,000,000.00			20,000,000.00		
Jiangsu Nantong Sanjian Group Dalian Construction Engineering Co., Ltd	10,000,000.00			10,000,000.00		
Beijing HongtaiXinghua Economic And Trade LLC	83,880,000.00			83,880,000.00		
Nantong Sanjian General Contractor Co., Ltd	50,000,000.00			50,000,000.00		
ARCH-HARMONY ARCHITECTURE DESIGN Co., Ltd	21,000,000.00			21,000,000.00		
Anhui Province Luwang Traffic Construction Group Corporation Limited	469,000,000.00			469,000,000.00		
Jiangsu Nantong Sanjian Group Changchun Construction	6,000,000.00			6,000,000.00		

Investee	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Provision for impairment in the current period	Closing balance of provision for impairment
Engineering Co., Ltd						
ZhukeYunfu Technology (shanghai) Co.,Ltd.	1,800,000.00			1,800,000.00		
Zhuhai JianrongInvestment Holdings Co.,Ltd.	18,000,000.00		18,000,000.00			
Changshu Changhe Real Estate Co.,Ltd.	37,500,000.00		37,500,000.00			
HaimenSanjian Rural Microfinance Co.,Ltd.	80,000,000.00		80,000,000.00			
Yijiantong(beijing) International Business Co., Ltd	60,000,000.00			60,000,000.00		
Shanghai Hongmai Real Estate Co.,Ltd	8,000,000.00		8,000,000.00			
Tianjin Yuhai Housing Leasing Co.,Ltd.	18,958,000.00			18,958,000.00		
Nantong Yuheng Real Estate Co.,Ltd.	85,000,000.00		85,000,000.00			
Nantong Yucheng Construction Co.,Ltd.		120,696,000.00		120,696,000.00		
HaoJiaHengYe Construction Development Co.,Ltd.		105,000,000.00		105,000,000.00		
Jiangsu Jiangzhou Construction Development Co.,Ltd.		65,080,000.00		65,080,000.00		
Nanjing Garden Industrial Co.,Ltd.		82,100,000.00		82,100,000.00		
Total	1,231,689,857.66	372,876,000.00	429,551,857.66	1,175,014,000.00		

3.2. Investment in associate, joint venture

Investee	Opening Balance	Changes in Current Period			Closing Balance	Closing Balance of provision for impairment
		Increase	Decrease	Profit or loss recognized under equity method		
Joint Venture						
Subtotal						
Associate						
Qingdao Tianxin Real Estate co., ltd	47,394,535.53		47,394,535.53			

Shenzhen ZhukeYunfu Technology Co.Ltd.	1,750,000.00			-33,686.66	1,716,313.34	
Shouci Industrial (Shanghai) Co.,Ltd.		750,000.00		-26,483.70	723,516.30	
Subtotal	49,144,535.53	750,000.00	47,394,535.53	-60,170.36	2,439,829.64	
Total	49,144,535.53	750,000.00	47,394,535.53	-60,170.36	2,439,829.64	

4. Sales and cost of sales

Item	Amount in the current period		Amount in the last period	
	Sales	Cost of sales	Sales	Cost of sales
Primary business	18, 345, 232, 317. 27	16, 569, 913, 073. 60	17, 490, 876, 763. 93	15, 734, 413, 243. 45
Other business	145, 389, 444. 30	13, 594. 40	23, 903, 033. 45	10, 500, 000. 00
Total	18, 490, 621, 761. 57	16, 569, 926, 668. 00	17, 514, 779, 797. 38	15, 744, 913, 243. 45

Top five Companies with the largest balances of the operating income

Company name	Amount	Proportion in the total (%)
Zhongfang Real Estate (Suzhou) Co., Ltd.	1,048,718,518.33	5.67
Jimo Ding Tide Development and Construction Co., Ltd	610,275,584.15	3.30
Shandong Tianle Property Co., Ltd	388,349,514.56	2.10
Jimo International Trade City Development Investment Co., Ltd.	332,449,532.81	1.80
Jinan Dongan Real Estate Co., Ltd.	277,897,961.11	1.50
Total	2,657,691,110.96	14.37

5. Investment income

Item	Current Period	Previous Period
Investment income from long-term equity investments under cost method	108, 767, 782. 99	
Investment income from long-term equity investments under equity method	-60, 170. 36	527, 019. 18
Investment income from disposing long-term equity investments	5, 693, 606. 81	
Investment income gained during the period of holding the financial assets measured at fair value and changes through current profit or losses		
Investment income from disposing financial assets measured at fair value and changes through current profit or losses	-381, 997. 78	
Investment income gained during the period of holding		

Item	Current Period	Previous Period
held-for-maturity investments		
Investment income gained during the period of holding available-for-sale investments	2, 800, 000. 00	5, 000, 000. 00
Investment income from disposing held-for-maturity investments		
Investment income from disposing available-for-sale financial assets		2, 293. 23
Gains or losses from residual shares re-measured at fair value after losing control		
Other Investment income	1, 061, 986. 83	-3, 039, 431. 33
Total	117, 881, 208. 49	2, 489, 881. 08

6. Others

XIII. Supplementary Information

1. Detailed statement of extraordinary gain and loss in the current period(+ for gain, - for loss)

Item	Amount	Remark
Gains or Losses on Disposal Non-Current Assets	1, 276, 787. 93	
Tax refund, deduction or exemption with unauthorized approval or without formal documents of approval		
Government grants included into current profit and losses (other than government grants closely related to enterprise business and granted by quota or quantity according to national unified standard)	1, 109, 900. 00	
Fund occupancy expenses collected from non-financial enterprises and included in the current profit orloss		
Gains from differences between the investment costs of acquisition of subsidiaries, associates or joint ventures and the fair value of the share of identifiable net assets of the investments upon such investment		
Gains or losses from non-monetary assets exchange		
Gains or losses from commissioned investment or management on assets		
Provisions for impairment of various assets due to force majeure, such as natural disasters		
Gains or losses from debts restructuring		
Enterprise reorganizing expenses, such as employee accommodation costs and integration expenses		
Gains or losses from excess over fair value due to obvious unfair transaction price		

Item	Amount	Remark
Current net gains or losses of subsidiaries acquired through business combination under common control from the beginning of current period till the date of consolidation		
Gains or losses on contingencies irrelevant to the Company's normal businesses		
Gains or losses from changes in fair value of financial assets or liabilities measured at fair value and changes through profit or losses, as well as investment income from disposal of financial assets or liabilities measured at fair value and changes through profit or losses and financial assets available-for-sale, other than those in valid hedging businesses related to the Company's normal businesses	-381,997.78	
Reversal of provisions for impairment of accounts receivable tested for impairment separately		
Gains or losses from external consigned loans	754,716.98	
Gains or losses on changes in fair value of investment property measured subsequently at fair value		
Gains or losses on changes in fair value of investment property measured subsequently at fair value		
Effect on current profit and losses of one-off adjustments to the current profit and loss in accordance with the requirements of laws and regulations regarding taxation or accounting		
Consigning income acquired from consigned operation		
Other non-operating income and costs other than above items	-2,109,382.30	
Profit and loss of other items conforming to the definition of non-recurring gains and losses	-287,760,218.48	Share-based payment expense 288,861,142.30CNY, investment income of Financial products1,100,923.82CNY
Total extraordinary gain and loss (Total amount of impact on profit)	-287,110,193.65	
Less: Effect of income tax	437,737.16	
Net extraordinary gain and loss (Total amount of impact on net profit)	-287,547,930.81	
Including: impact on non-controlling shareholders profit or loss		
Total impact on net profit attributable to ordinary shareholders	-287,547,930.81	

2. Return on Equity & Earnings per Share

Profit During Reporting Period	Weighted Average ROE (%)	EPS(CNY/Share)	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	11.45	1.32	1.32

Profit During Reporting Period	Weighted Average ROE（%）	EPS(CNY/Share)	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company after deduction of extraordinary gain and loss	16.13	1.85	1.85

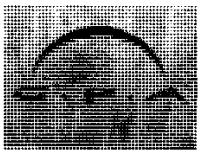
XIV. Approval of Financial Statements

Financial statements of the Company for the current year has been approved by Board of Meeting Session at 27/4/2017.

Chief Executive：

Jiangsu Nantong Sanjian Construction Group Co., Ltd

April 27th 2017



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Translation of a report originally issued in Chinese based on our work performed in accordance with the audit regulations in force in China. In the event of a discrepancy, the Chinese-language version prevails.

Auditor's Report

To the shareholders of Jiangsu Nantong Sanjian Construction Group Co., Ltd.:

We have audited the accompanying financial statements of Jiangsu Nantong Sanjian Construction Group Co., Ltd.(hereinafter referred to as "Nantong Sanjian"), which comprise the consolidated balance sheet and balance sheet as at December 31st2015; consolidated income statement and income statement, consolidated statement of cash flows and statement of cash flows, consolidated statement of changes in owners' equity and statement of changes in owners' equity for the year then ended; and notes to the financial statements.

Management's Responsibility for the Financial Statements

The management of Nantong Sanjian is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to ensure fair presentation; (2) designing, implementing and maintaining internal control that is necessary to ensure the financial statements are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants. Those standards require that we comply with professional and ethical requirements, and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider the internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of Nantong Sanjian are prepared, in all material respects, in accordance with Accounting Standards for Business Enterprises and present fairly the financial position of Nantong Sanjian as at December 31st 2015 and its operating results and cash flows for the year then ended.

Jiangsu Suya Jincheng Certified Public Accountants LLP

Nanjing, China

Chen yusheng

Certified Public Accountant of China

Qi chengbing

Certified Public Accountant of China

March18th, 2016

Consolidated Balance Sheet

As at December 31, 2015

Prepared by: Jiangsu Nantong Sanjian Construction Group Co., Ltd. Monetary Unit: CNY

Assets	Note v	Balance as at December 31, 2015	Balance as at December 31, 2014
Current Assets:			
Cash and cash equivalents	v、1	2, 417, 131, 240. 20	2, 305, 474, 240. 76
Financial assets measured at fair value through current profit or loss	v、2	900, 800. 00	1, 368, 586. 28
Notes receivable	v、3	448, 722, 335. 40	186, 242, 247. 62
Accounts receivable	v、4	2, 819, 379, 353. 23	2, 956, 048, 012. 34
Prepayment	v、5	333, 133, 263. 71	334, 558, 584. 86
Interests receivable	v、6	5, 084, 448. 46	466, 546. 87
Dividends receivable			
Other receivables	v、7	3, 201, 720, 492. 26	2, 715, 385, 155. 03
Inventories	v、8	7, 181, 602, 254. 34	2, 892, 205, 048. 62
Non-current assets maturing within one year			
Other current assets	v、9	103, 507, 732. 60	345, 500, 000. 00
Total current assets		16, 511, 181, 920. 20	11, 737, 248, 422. 38
Non-current assets:			
Loans and payments on behalf		210, 873, 290. 87	
Available-for-sale financial assets	v、10	130, 109, 061. 88	120, 702, 971. 58
Held-to-maturity investments			
Long-term receivables	v、11	329, 675, 927. 91	398, 326, 635. 44
Long-term equity investments	v、12	49, 144, 535. 53	46, 867, 516. 35
Investment properties	v、13	9, 912, 929. 44	
Fixed assets	v、14	342, 858, 160. 77	412, 779, 248. 92
Construction in progress	v、15		8, 000. 00
Project materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets	v、16	24, 896, 813. 82	40, 247, 421. 42
Development expenses			
Goodwill	v、17	173, 282, 096. 89	162, 429, 802. 65
Long-term deferred expenses	v、18	36, 093, 125. 13	5, 744, 735. 08
Deferred tax assets	v、19	101, 870, 443. 64	121, 466, 655. 18
Other non-current assets	v、20	223, 080, 605. 37	112, 267, 575. 71
Total non-current assets		1, 631, 796, 991. 25	1, 420, 840, 562. 33
Total assets		18, 142, 978, 911. 45	13, 158, 088, 984. 71

Legal representative : Person in charge of accounting affairs : Person in charge of accounting department: :

Consolidated Balance Sheet

As at December 31, 2015

Prepared by: Jiangsu Nantong Sanjian Construction Group Co., Ltd. Monetary Unit: CNY

Liabilities and owners' equity	Note v	Balance as at December 31, 2015	Balance as at December 31, 2014
Current liabilities:			
Short-term loans	V、21	2,567,990,000.00	2,557,000,000.00
Financial liabilities measured at fair value through current profit or loss			
Notes payable	V、22	2,088,730,000.00	2,250,380,000.00
Accounts payable	V、23	1,649,441,597.01	716,848,544.25
Advances from customers	V、24	306,539,609.87	15,485,649.78
Employee benefits payable	V、25	852,134,359.77	538,150,620.28
Taxes and surcharges payable	V、26	760,999,403.17	359,334,409.57
Interest payable	V、27	20,542,045.94	8,685,712.08
Dividends payable	V、28	22,150,936.00	14,750,936.00
Other payables	V、29	2,078,590,621.77	655,250,829.48
Non-current liabilities maturing within one year	V、30	46,641,215.17	44,336,607.55
Other current liabilities			
Total current liabilities		10,393,759,788.70	7,160,223,308.99
Non-current liabilities:			
Long-term loans	V、31	975,556,030.76	763,580,705.38
Bonds payable	V、32	794,039,782.55	198,266,649.55
Long-term payables	V、33	52,287,630.16	
Provision			
Deferred income			
Deferred tax liabilities	V、19	21,617,822.30	22,662,466.67
Other non-current liabilities		252.00	396.00
Total non-current liabilities		1,843,501,517.77	984,510,217.60
Total liabilities		12,237,261,306.47	8,144,733,526.59
Owners' equity (or shareholders' equity)			
Share capital	V、34	501,280,000.00	501,280,000.00
Capital reserves	V、35	278,499.66	278,499.66
Less: treasury stock			
Other comprehensive income			
Special reserves	V、36	95,557,338.59	80,792,774.62
Surplus reserves	V、37	331,105,245.72	331,105,245.72
General risk reserve		856,338.24	
Undistributed profits	V、38	4,394,379,139.44	3,701,655,023.35
Total equity attributable to owners of the parent company		5,323,456,561.65	4,615,111,543.35
Non-controlling interests		582,261,043.33	398,243,914.77
Total owners' equity (or shareholders' equity)		5,905,717,604.98	5,013,355,458.12
Total liabilities and owners' equity (or shareholders' equity)		18,142,978,911.45	13,158,088,984.71

Legal representative: Person in charge of accounting affairs: Person in charge of accounting department:

Consolidated Income Statement

For the year ended December 31,2015

Prepared by: Jiangsu Nantong Sanjian Construction Group Co., Ltd

Monetary Unit: CNY

Item	Note v	Year 2015	Year 2014
1. Total operating income	V、39	18,744,607,277.07	18,788,058,830.04
less : operating costs	V、39	16,656,759,280.93	16,690,682,101.20
Business taxes and surcharges	V、40	638,230,780.25	614,189,711.35
Selling and distribution expenses	V、41	10,967,998.36	11,070,917.46
General and administrative expenses	V、42	275,313,892.88	299,698,725.18
Financial expenses	V、43	208,502,585.98	226,533,395.09
Impairment losses	V、44	-65,813,449.03	101,787,647.45
Plus: gains from changes in fair value ("-" for losses)	V、45	-467,786.28	331,691.43
Investment income ("-" for losses)	V、46	16,404,572.10	30,797,262.53
Including: income from investment in associates and joint ventures		527,019.18	
2、Operating profit ("-" For Losses)		1,036,582,973.52	875,225,286.27
Plus: non-operating income	V、47	4,513,445.95	19,817,620.89
Including: disposal gains from non-current assets		434,970.85	
Less: non-operating expenses	V、48	5,041,576.17	5,501,892.81
Including: losses from disposal of non-current assets		923,557.45	
3、Total profit before tax ("-" For Total Losses)		1,036,054,843.30	889,541,014.35
Less: income tax expenses	V、49	295,962,770.58	231,257,916.97
4、Net profit ("-" For Net Loss)		740,092,072.72	658,283,097.38
Attributable to owners of the parent company		736,640,731.33	656,554,681.29
Attributable to Minority interest income		3,451,341.39	1,728,416.09
5、.Net of tax from other comprehensive income			
Net of tax from other comprehensive income to the owner of the parent company			
1.Other comprehensive income cannot reclassified into the profit and loss:			
Remeasure the variation of net indebtedness or net asset of defined benefit plans			
Share in other comprehensive income that cannot be classified into profit and loss under equity method			
2. Other comprehensive income that will be reclassified into the profit and loss			
Share in other comprehensive income that will be classified into profit and loss under equity method			
Changes in fair value of available-for-sale financial assets			
Held-to-maturity investment reclassified into available-for sale financial assets			
Effective part of cash-flow hedge profit and loss			
Balance arising from the translation of foreign currency financial statements			
Other			
Net of tax from other comprehensive income to minority shareholders			
6、Total comprehensive income		740,092,072.72	658,283,097.38
Total comprehensive income attributable to owners of the parent company		736,640,731.33	656,554,681.29
Total comprehensive income attributable to minority shareholders		3,451,341.39	1,728,416.09
7、Earnings per share			
(1)Basic earnings per share (CNY/share)			
(2)Diluted earnings per share (CNY/share)			

Legal representative :　　Person in charge of accounting affairs :　　Person in charge of accounting department:

Consolidated Statement of Cash Flows

For the year ended December 31, 2015

Prepared by: Jiangsu Nantong Sanjian Construction Group Co., Ltd

Monetary Unit: CNY

Item	Note v	Year 2015	Year 2014
1. Cash flows from operating activities			
Cash received from sale of goods and rendering of services		18, 959, 459, 251. 14	18, 124, 386, 674. 29
Refunds of taxes and surcharges			
Cash received from other operating activities	V、50	1, 868, 646, 692. 57	85, 776, 790. 58
Sub-total of cash inflows from operating activities		20, 828, 105, 943. 71	18, 210, 163, 464. 87
Cash paid for goods purchased and services received		16, 650, 014, 717. 52	12, 763, 566, 678. 27
Net increase in loans and advances to customers		214, 084, 559. 26	
Cash paid to and on behalf of employees		3, 211, 879, 644. 21	3, 518, 267, 368. 85
Cash paid for taxes and surcharges		523, 443, 979. 69	887, 588, 878. 40
Cash paid for other operating activities	V、50	445, 762, 358. 01	1, 472, 688, 324. 30
Sub-total of cash outflows from operating activities		21, 045, 185, 258. 69	18, 642, 101, 149. 82
Net cash flows from operating activities		-217, 079, 314. 98	-431, 937, 684. 95
2、Cash flows from investing activities :			
Cash received from disposal of investments		581, 168, 580. 39	141, 967, 028. 42
Cash received from returns on investments		26, 944, 126. 85	46, 615, 422. 62
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		15, 000, 000. 00	28, 641, 545. 21
Net cash received from disposal of subsidiaries and other business units			33, 904, 152. 00
Cash received from other investing activities	V、50		40, 521, 398. 41
Sub-total of cash inflows from investing activities		623, 112, 707. 24	291, 649, 546. 66
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		163, 497, 150. 01	126, 052, 033. 24
Cash paid for investments		536, 320, 202. 51	490, 560, 000. 00
Net cash paid to acquire subsidiaries and other business units		95, 778, 632. 07	-152, 884, 691. 66
Cash paid for other investing activities	V、50	206, 134, 393. 75	
Sub-total of cash outflows from investing activities		1, 001, 730, 378. 34	463, 727, 341. 58
Net cash flows from investing activities		-378, 617, 671. 10	-172, 077, 794. 92
3、Cash flows from financing activities :			
Cash received from investors		176, 000, 000. 00	58, 450, 000. 00
Including: cash received by subsidiaries from investments by minority shareholders		176, 000, 000. 00	58, 450, 000. 00
Cash received from borrowings		4, 072, 490, 000. 00	3, 877, 800, 000. 00
Cash received from bonds issue		600, 000, 000. 00	200, 000, 000. 00
Cash received from other financing activities			
Sub-total of cash inflows from financing activities		4, 848, 490, 000. 00	4, 136, 250, 000. 00
Cash paid for debt repayments		3, 791, 229, 107. 39	3, 038, 670, 737. 07
Cash paid for distribution of dividends and profits or payment of interest		289, 650, 338. 46	349, 871, 597. 77
Including: dividends and profits paid to minority shareholders by subsidiaries			
Cash paid for other financing activities	V、50	1, 994, 789. 22	3, 444, 000. 00
Sub-total of cash outflows from financing activities		4, 082, 874, 235. 07	3, 391, 986, 334. 84
Net cash flows from financing activities		765, 615, 764. 93	744, 263, 665. 16
4、Effect of fluctuation in exchange rate on cash and cash equivalents		-933, 326. 15	48, 984. 66
5、Net increase in cash and cash equivalents		168, 985, 452. 70	140, 297, 169. 95
Plus: balance of cash and cash equivalents at the beginning of the period		981, 739, 160. 70	841, 441, 990. 75
6、Balance of cash and cash equivalents at the end of the period		1, 150, 724, 613. 40	981, 739, 160. 70

Legal representative :　　Person in charge of accounting affairs:　　Person in charge of accounting department:

Consolidated Statement of Changes in Shareholders' Equity

For the year ended December 31, 2015

Prepared by: Jiangsu Nantong Sanjian Construction GroupCo., Ltd.

Monetary Unit: CNY

项 目	Year 2015									
	Equity attributable to owners of the parent company								Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Less: treasury stock	Other Comprehensive Income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
1. Balance as at December 31 of last year	501, 280, 000. 00	278, 499. 66			80, 792, 774. 62	331, 105, 245. 72		3, 701, 655, 023. 35	398, 243, 914. 77	5, 013, 355, 458. 12
Plus: adjustments for changes in accounting policies										
Adjustments for correction of accounting errors in prior year										
Bussiness Combinations Under Common Control										
Others										
2. Balance as at January 1 of the current year	501, 280, 000. 00	278, 499. 66			80, 792, 774. 62	331, 105, 245. 72		3, 701, 655, 023. 35	398, 243, 914. 77	5, 013, 355, 458. 12
3. Increases/decreases in the current year ("-" for decreases)					14, 764, 563. 97		856, 338. 24	692, 724, 116. 09	184, 017, 128. 56	892, 362, 146. 86
(1) Total comprehensive income								736, 640, 731. 33	3, 451, 341. 39	740, 092, 072. 72
(2) Capital contributed or reduced by owners									180, 565, 787. 17	180, 565, 787. 17
a.Capital contributions by owners									176, 000, 000. 00	176, 000, 000. 00
b.Amounts of share-based payments recognized in owners' equity										
C.Others									4, 565, 787. 17	4, 565, 787. 17
(3) Profit distribution							856, 338. 24	-43, 916, 615. 24		-43, 060, 277. 00
a. Withdrawal of surplus reserves										
b. Withdrawal of general risk reserve							856, 338. 24	-856, 338. 24		
c. Profit distributed to owners (or shareholders)								-43, 060, 277. 00		-43, 060, 277. 00
d. Others										
4) Internal carry-forward of owners' equity										
a. Conversion of capital reserves into paid-in capital (or share capital)										
b. Conversion of surplus reserves into paid-in capital (or share capital)										
c. Surplus reserves offsetting losses										
d . Others										
(5) Special reserves					14, 764, 563. 97					14, 764, 563. 97
a. Withdrawal for the period					350, 279, 595. 95					350, 279, 595. 95
b. Use for the period					335, 515, 031. 98					335, 515, 031. 98
4. Balance as at December 31 of the current year	501, 280, 000. 00	278, 499. 66			95, 557, 338. 59	331, 105, 245. 72	856, 338. 24	4, 394, 379, 139. 44	582, 261, 043. 33	5, 905, 717, 604. 98

Legal representative :

Person in charge of accounting affairs :

Person in charge of accounting department :

Consolidated Statement of Changes in Shareholders' Equity

For the year ended December 31, 2015

Prepared by: Jiangsu Nantong Sanjian Construction GroupCo., Ltd.

Monetary Unit: CNY

Item	Year 2014									
	Equity attributable to owners of the parent company								Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Less: treasury stock	Other Comprehensiv e Income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
1. Balance as at December 31 of last year	**501,280,000.00**	**278,499.66**			**56,414,107.24**	**331,105,245.72**		**3,143,744,378.06**	**32,176,274.29**	**4,064,998,504.97**
Plus: adjustments for changes in accounting policies										
Adjustments for correction of accounting errors in prior year										
Bussiness Combinations Under Common Control										
Others										
2. Balance as at January 1 of the current year	**501,280,000.00**	**278,499.66**			**56,414,107.24**	**331,105,245.72**		**3,143,744,378.06**	**32,176,274.29**	**4,064,998,504.97**
3. Increases/decreases in the current year ("-" for decreases)					**24,378,667.38**			**557,910,645.29**	**366,067,640.48**	**948,356,953.15**
(1) Total comprehensive income								**656,554,681.29**	**1,728,416.09**	**658,283,097.38**
(2) Capital contributed or reduced by owners									**364,339,224.39**	**364,339,224.39**
a.Capital contributions by owners									**58,450,000.00**	**58,450,000.00**
b.Amounts of share-based payments recognized in owners' equity										
C.Others									**305,889,224.39**	**305,889,224.39**
(3) Profit distribution								**-98,644,036.00**		**-98,644,036.00**
a. Withdrawal of surplus reserves										
b. Withdrawal of general risk reserve										
c. Profit distributed to owners (or shareholders)								**-98,644,036.00**		**-98,644,036.00**
d. Others										
4) Internal carry-forward of owners' equity										
a. Conversion of capital reserves into paid-in capital (or share capital)										
b. Conversion of surplus reserves into paid-in capital (or share capital)										
c. Surplus reserves offsetting losses										
d . Others										
(5) Special reserves					**24,378,667.38**					**24,378,667.38**
a. Withdrawal for the period					**362,325,136.87**					**362,325,136.87**
b. Use for the period					**337,946,469.49**					**337,946,469.49**
4. Balance as at December 31 of the current year	**501,280,000.00**	**278,499.66**			**80,792,774.62**	**331,105,245.72**		**3,701,655,023.35**	**398,243,914.77**	**5,013,355,458.12**

Legal representative:

Person in charge of accounting affairs:

Person in charge of accounting department:

Balance Sheet

As at December 31, 2015

Prepared by: Jiangsu Nantong Sanjian Construction Group Co., Ltd. Monetary Unit: CNY

Assets	Note XII	Balance as at December 31, 2015	Balance as at December 31, 2014
Current Assets:			
Cash and cash equivalents		2,022,497,960.33	1,980,144,239.83
Financial assets measured at fair value through current profit or loss		900,800.00	1,368,586.28
Notes receivable		435,122,335.40	182,442,247.62
Accounts receivable	XII、1	2,394,006,394.49	2,417,825,018.82
Prepayment		169,396,782.58	141,551,364.36
Interests receivable		2,814,157.64	82,609.72
Dividends receivable			
Other receivables	XII、2	3,346,995,289.46	3,051,346,929.67
Inventories		5,419,722,313.85	2,495,555,727.34
Non-current assets maturing within one year			
Other current assets		79,000,000.00	341,500,000.00
Total current assets		13,870,456,033.75	10,611,816,723.64
Non-current assets:			
Available-for-sale financial assets		122,109,061.88	112,702,971.58
Held-to-maturity investments			
Long-term receivables		9,800,000.00	
Long-term equity investments	XII、3	1,280,834,393.19	1,027,849,374.01
Investment properties			
Fixed assets		198,303,669.67	275,397,526.77
Construction in progress			
Project materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets		41,140.16	14,580,367.48
Development expenses			
Goodwill			
Long-term deferred expenses		35,331,065.14	4,988,565.00
Deferred tax assets		101,394,838.40	101,801,732.76
Other non-current assets		23,080,605.40	12,267,575.71
Total non-current assets		1,770,894,773.84	1,549,588,113.31
Total assets		15,641,350,807.59	12,161,404,836.95

Legal representative: Person in charge of accounting affairs: Person in charge of accounting department:

Balance Sheet

As at December 31, 2015

Prepared by: Jiangsu Nantong Sanjian Construction Group Co., Ltd.

Monetary Unit: CNY

Liabilities and owners' equity	Note XII	Balance as at December 31, 2015	Balance as at December 31, 2014
Current liabilities:			
Short-term loans		2,402,000,000.00	2,431,000,000.00
Financial liabilities measured at fair value through current profit or loss			
Notes payable		1,780,050,000.00	2,190,530,000.00
Accounts payable		1,220,188,922.75	535,835,954.59
Advances from customers		149,790,999.51	71,787,244.90
Employee benefits payable		814,265,437.43	476,440,355.69
Taxes and surcharges payable		728,630,741.36	352,601,010.51
Interest payable		19,256,860.69	8,146,127.77
Dividends payable		22,150,936.00	14,750,936.00
Other payables		1,771,273,130.25	726,403,308.14
Non-current liabilities maturing within one year			
Other current liabilities			
Total current liabilities		8,907,607,027.99	6,807,494,937.60
Non-current liabilities:			
Long-term loans		803,500,000.00	624,000,000.00
Bonds payable		694,747,067.93	198,266,649.55
Long-term payables		52,287,630.16	
Provision			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		1,550,534,698.09	822,266,649.55
Total liabilities		10,458,141,726.08	7,629,761,587.15
Owners' equity (or shareholders' equity)			
Share capital		501,280,000.00	501,280,000.00
Capital reserves			
Less: treasury stock			
Other comprehensive income			
Special reserves		95,557,338.59	80,792,774.62
Surplus reserves		331,105,245.72	331,105,245.72
Undistributed profits		4,255,266,497.20	3,618,465,229.46
Total owners' equity (or shareholders' equity)		5,183,209,081.51	4,531,643,249.80
Total liabilities and owners' equity (or shareholders' equity)		15,641,350,807.59	12,161,404,836.95

Legal representative:

Person in charge of accounting affairs:

Person in charge of accounting department:

Income Statement

For the year ended December 31,2015

Prepared by: Jiangsu Nantong Sanjian Construction Group Co., Ltd. Monetary Unit: CNY

Item	Note XII	Year 2015	Year 2014
1. Total operating income	XII、4	**17,514,779,797.38**	**18,016,244,306.63**
less：operating costs	XII、4	**15,744,913,243.45**	**16,075,561,517.53**
Business taxes and surcharges		**591,360,393.73**	**586,689,126.05**
Selling and distribution expenses			
General and administrative expenses		**161,896,076.93**	**233,625,245.24**
Financial expenses		**107,176,986.41**	**192,985,987.12**
Impairment losses		**-1,627,577.47**	**73,883,242.55**
Plus: gains from changes in fair value ("-" for losses)		**-467,786.28**	**331,691.43**
Investment income ("-" for losses)	XII、5	**2,489,881.08**	**2,267,521.59**
Including: income from investment in associates and joint ventures		**527,019.18**	
2、Operating profit ("-" For Losses)		**913,082,769.13**	**856,098,401.16**
Plus: non-operating income		**4,097,342.21**	**8,345,551.50**
Including: disposal gains from non-current assets		**434,970.85**	
Less: non-operating expenses		**4,139,456.92**	**3,892,521.75**
Including: losses from disposal of non-current assets		**127,648.16**	
3、Total profit before tax ("-" For Total Losses)		**913,040,654.42**	**860,551,430.91**
Less: income tax expenses		**233,179,109.68**	**221,590,107.08**
4、Net profit ("-" For Net Loss)		**679,861,544.74**	**638,961,323.83**
5、.Net of tax from other comprehensive income			
1.Other comprehensive income cannot reclassified into the profit and loss:			
Remeasure the variation of net indebtedness or net asset of defined benefit plans			
Share in other comprehensive income that cannot be classified into profit and loss under equity method			
2. Other comprehensive income that will be reclassified into the profit and loss			
Share in other comprehensive income that will be classified into profit and loss under equity method			
Changes in fair value of available-for-sale financial assets			
Held-to-maturity investment reclassified into available-for sale financial assets			
Effective part of cash-flow hedge profit and loss			
Balance arising from the translation of foreign currency financial statements			
Other			
6、Total comprehensive income		**679,861,544.74**	**638,961,323.83**
7、Earnings per share			
(1)Basic earnings per share （CNY/share）			
(2)Diluted earnings per share （CNY/share）			

Legal representative：　　Person in charge of accounting affai　　Person in charge of accounting department：

Statement of Cash Flows

For the year ended December 31, 2015

Prepared by: Jiangsu Nantong Sanjian Construction Group Co., Ltd

Monetary Unit: CNY

Item	Note v	Year 2015	Year 2014
1. Cash flows from operating activities			
Cash received from sale of goods and rendering of services		17,416,987,154.92	17,923,067,150.39
Refunds of taxes and surcharges			
Cash received from other operating activities		1,207,612,071.83	103,243,197.60
Sub-total of cash inflows from operating activities		18,624,599,226.75	18,026,310,347.99
Cash paid for goods purchased and services received		15,007,857,928.35	12,424,965,860.17
Cash paid to and on behalf of employees		2,981,258,842.04	3,461,855,820.55
Cash paid for taxes and surcharges		448,555,497.55	878,677,098.98
Cash paid for other operating activities		153,146,579.03	1,131,430,117.56
Sub-total of cash outflows from operating activities		18,590,818,846.97	17,896,928,897.26
Net cash flows from operating activities		33,780,379.78	129,381,450.73
2、Cash flows from investing activities:			
Cash received from disposal of investments		349,906,109.70	130,267,028.42
Cash received from returns on investments		26,382,335.75	34,154,371.76
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		15,000,000.00	28,635,145.21
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investing activities			40,521,398.41
Sub-total of cash inflows from investing activities		391,288,445.45	233,577,943.80
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		136,770,571.22	98,345,125.27
Cash paid for investments		361,070,200.00	390,560,000.00
Net cash paid to acquire subsidiaries and other business units		95,778,632.07	613,850,000.00
Cash paid for other investing activities		206,134,393.75	
Sub-total of cash outflows from investing activities		799,753,797.04	1,102,755,125.27
Net cash flows from investing activities		-408,465,351.59	-869,177,181.47
3、Cash flows from financing activities:			
Cash received from investors			
Cash received from borrowings		3,703,800,000.00	3,583,800,000.00
Cash received from bonds issue		500,000,000.00	200,000,000.00
Cash received from other financing activities			
Sub-total of cash inflows from financing activities		4,203,800,000.00	3,783,800,000.00
Cash paid for debt repayments		3,501,012,369.84	2,564,875,550.00
Cash paid for distribution of dividends and profits or payment of interest		248,873,346.63	314,410,974.69
Cash paid for other financing activities			
Sub-total of cash outflows from financing activities		3,749,885,716.47	2,879,286,524.69
Net cash flows from financing activities		453,914,283.53	904,513,475.31
4、Effect of fluctuation in exchange rate on cash and cash equivalents		-933,326.15	48,984.66
5、Net increase in cash and cash equivalents		78,295,985.57	164,766,729.23
Plus: balance of cash and cash equivalents at the beginning of the period		877,542,158.47	712,775,429.24
6、Balance of cash and cash equivalents at the end of the period		955,838,144.04	877,542,158.47

Legal representative:　　Person in charge of accounting affairs:　　Person in charge of accounting department:

Statement of Changes in Shareholders' Equity

For the Year ended December 31, 2015

Prepared by: Jiangsu Nantong Sanjian Construction GroupCo., Ltd.

Monetary Unit: CNY

Item	Year 2015							
	Share capital	Capital reserve	Less: treasury stock	Other Comprehensive Income	Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
1. Balance as at December 31 of last year	**501,280,000.00**				**80,792,774.62**	**331,105,245.72**	**3,618,465,229.46**	**4,531,643,249.80**
Plus: adjustments for changes in accounting policies								
Adjustments for correction of accounting errors in prior year								
Others								
2. Balance as at January 1 of the current year	**501,280,000.00**				**80,792,774.62**	**331,105,245.72**	**3,618,465,229.46**	**4,531,643,249.80**
3. Increases/decreases in the current year ("-" for decreases)					**14,764,563.97**		**636,801,267.74**	**651,565,831.71**
(1) Total comprehensive income							**679,861,544.74**	**679,861,544.74**
(2) Capital contributed or reduced by owners								
a.Capital contributions by owners								
b.Amounts of share-based payments recognized in owners' equity								
C.Others								
(3) Profit distribution							**-43,060,277.00**	**-43,060,277.00**
a. Withdrawal of surplus reserves								
c. Profit distributed to owners (or shareholders)							**-43,060,277.00**	**-43,060,277.00**
d. Others								
4) Internal carry-forward of owners' equity								
a. Conversion of capital reserves into paid-in capital (or share capital)								
b. Conversion of surplus reserves into paid-in capital (or share capital)								
c. Surplus reserves offsetting losses								
d . Others								
(5) Special reserves					**14,764,563.97**			**14,764,563.97**
a. Withdrawal for the period					**350,279,595.95**			**350,279,595.95**
b. Use for the period					**335,515,031.98**			**335,515,031.98**
4. Balance as at December 31 of the current year	**501,280,000.00**				**95,557,338.59**	**331,105,245.72**	**4,255,266,497.20**	**5,183,209,081.51**

Legal representative:

Person in charge of accounting affairs:

Person in charge of accounting department:

Statement of Changes in Shareholders' Equity

For the year ended December 31, 2015

Prepared by: Jiangsu Nantong Sanjian Construction GroupCo., Ltd.

Monetary Unit: CNY

Item	year 2014							
	Share capital	Capital reserve	Less: treasury stock	Other Comprehensive Income	Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
1. Balance as at December 31 of last year	**501,280,000.00**				**56,414,107.24**	**331,105,245.72**	**3,078,147,941.63**	**3,966,947,294.59**
Plus: adjustments for changes in accounting policies								
Adjustments for correction of accounting errors in prior year								
Others								
2. Balance as at January 1 of the current year	**501,280,000.00**				**56,414,107.24**	**331,105,245.72**	**3,078,147,941.63**	**3,966,947,294.59**
3. Increases/decreases in the current year ("-" for decreases)					**24,378,667.38**		**540,317,287.83**	**564,695,955.21**
(1) Totel comprehensive income							**638,961,323.83**	**638,961,323.83**
(2) Capital contributed or reduced by owners								
a.Capital contributions by owners								
b.Amounts of share-based payments recognized in owners' equity								
C.Others								
(3) Profit distribution							**-98,644,036.00**	**-98,644,036.00**
a. Withdrawal of surplus reserves								
c. Profit distributed to owners (or shareholders)							**-98,644,036.00**	**-98,644,036.00**
d. Others								
4) Internal carry-forward of owners' equity								
a. Conversion of capital reserves into paid-in capital (or share capital)								
b. Conversion of surplus reserves into paid-in capital (or share capital)								
c. Surplus reserves offsetting losses								
d . Others								
(5) Special reserves					**24,378,667.38**			**24,378,667.38**
a. Withdrawal for the period					**362,325,136.87**			**362,325,136.87**
b. Use for the period					**337,946,469.49**			**337,946,469.49**
4. Balance as at December 31 of the current year	**501,280,000.00**				**80,792,774.62**	**331,105,245.72**	**3,618,465,229.46**	**4,531,643,249.80**

Legal representative:　　Person in charge of accounting affairs:　　Person in charge of accounting department:

Jiangsu Nantong Sanjian Construction Group Co., Ltd
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in CNY unless otherwise stated)

I. Company Profile

1. Company Overview

Jiangsu Nantong Sanjian Construction Group Co., Ltd. (hereinafter referred to as "Company", "the Company"), formerly called Jiangsu Nantong No.3 Construction Group Co., Ltd., a limited company which got the approval of restructuring and establishment from the Haimen Municipal People's Government on March 12th, 2001 and jointly established by Haimen Municipal Construction Management Bureau, Jiangsu Changle Construction and Engineering Group Co., Ltd., Jiangsu Dexing Real Estate Group Co., Ltd., Haimen Wanzhong Developments LLC., Nantong Jiangbin Construction and Engineering Co., Ltd., Nantong Haiyu construction and installation engineering Co., Ltd., Nantong three buildings and real estate Co. Ltd. and Haimen Sijia construction and installation engineering Co., Ltd. On March 18th, 2001, the company obtained 'Business License of Enterprise Legal Person' which was issued by the Nantong Haimen Administration for Industry and Commerce with registration number 320684000141191. Company address: No.131 ShiShanRoad, Haimen, Jiangsu; Legal representative: Huang Yuhui; Registered capital is 501.28 million

Main business activities: General contract for house construction, specialized contract for architectural decoration and decoration engineering, specialized contract for steel structure engineering, specialized contract for mechanical and electrical equipment installation engineering, general contract for municipal public works construction, specialized contract for fire protection facilities engineering, general contract for foundation and foundation engineering, specialized contract for mechanical and electrical installation works, electronic and intelligent engineering; (all above are operated by the qualification). Contracting overseas industrial and civil construction projects and domestic international tender works, the export of equipment, materials and dispatched labor are provided to meet the requirement of above-mentioned overseas projects; sending kinds of labors abroad (excluding seafarers); building material sales; equipment rental; building energy-saving technology development and design; construction technology development. (Projects subject to ratification in accordance with the law, the operating activities can be carried out after the approval of relevant departments)

Headquarter address:No.131 Shishan Road, Haimen, Jiangsu.

2. Consolidated Financial Statement Scope

The scope of the Company's consolidated financial statements is based on control, and all subsidiaries controlled are included in the consolidation scope of the consolidated financial statements.

Change of consolidated financial statement scope is shown as follows:

2.1The business entities in 2015 that are newly incorporated into the scope of the merger, the structural entities or business entities forming control in the other way are shown in the following table:Name	Getting Way
Jianyitong (Beijing) International Business Co., Ltd.	New Set
Haimen Sanjian Rural Microfinance Co., Ltd.	New Set

2.1The business entities in 2015 that are newly incorporated into the scope of the merger, the structural entities or business entities forming control in the other way are shown in the following table:Name	Getting Way
Tianjin Yuhai Housing Leasing Co., Ltd...	Shares Transfer
Shanghai Hongmai Real Estate Co.,Ltd.	New Set
Nantong Yuheng real estate Co., Ltd.	Increase their capital

2.2 The business entities in 2014 that are newly incorporated into the scope of the merger, the structural entities or business entities forming control in the other way are shown in the following table: Name	Getting Way
Beijing Hongtaixinghua Economic And Trade LLC	Increase their capital ,Shares Transfer
Arch-harmony Architecture Design Co., Ltd	Shares Transfer, Increase their capital
Anhui Province Luwang Traffic Construction Group Corporation Limited	Increase their capital
Jiangsu Nantong Sanjian Construction Group Changchun Construction Engineering Co., Ltd.	New Set
ZhukeNetwork Technology (Shanghai) Co., Ltd.	New Set
Zhuhai Jianrong Investment Holdings Co ., Ltd.	New Set
Changshu Changhe Real Estate Co., Ltd	Shares Transfer, Increase their capital
Nantong Sanjian Construction General Contracting Co., Ltd	New Set

Details of the sub companies incorporated into the consolidated financial statements show on 'VII.1 Interests in subsidiaries'. Changes in the scope of consolidation show on 'VI, change in consolidated scope'.

II. Basis of Preparation of Financial Statements

1. Basis of preparation of financial statements

The company has prepared its financial statements on a going concern basis, and recognized and measured its accounting items in compliance with the Accounting Standards for Business Enterprises—Basic Standards and various specific accounting standards, and other relevant provisions on the basis of actual transactions and events.

2. Going Concern

Management believes that the company has the ability to continue as a going concern for at least 12 months since the financial statements date.

III. Significant Accounting Policies and Accounting Estimates

3. Statement of compliance with the ASBE

The financial statements of the company have been prepared in accordance with ASBE, and present truly and completely, the group's financial position as of December 31st 2015, and the Company's and results of operations and cash flows for the year then ended.

4. Accounting period

The Group has adopted the calendar year as its accounting year, i.e. from January 1st to December 31st.

5. Functional currency

The Company has adopted China Yuan (CNY) as functional currency.

6. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

6.1 Accounting treatment method for business combination under common control

Business combination under common control is accounted for under pooling of interest method. Assets and liabilities obtained by the Company through business combination under common control shall be measured at the book value as stated in the combine's accounting record on the combination date. The share of the book value of the merged party's owner's equity in the consolidated financial statements is taken as the initial investment cost of long-term equity investments in individual financial statements. The capital reserve (stock premium or capital premium) is adjusted according to the difference between the book value of net asset acquired through combination and the book value of consideration paid for the combination (or total par value of shares issued). If the capital reserve (stock premium or capital premium) is insufficient to offset, the retained earnings shall be adjusted.

6.2 Accounting treatment method of business combination not under common control

The Company accounts for business combination not under common control under purchase method.

a) All the net identifiable assets, liabilities or contingent liabilities obtained by the Company through business combination not under common control shall be measured based on the fair values of assets paid, liabilities incurred or assumed and the equity securities issued as consideration for combination on the acquisition date, and differences between their fair values and book values shall be included in the current profit and loss.

b) The cost of acquisition shall be respectively determined for the following conditions;

   i. Business combination of a transaction implementation, the combination cost shall be the sum of the fair values of the assets given, the liabilities incurred or assumed and the equity securities issued by the Company in exchange for the control on the acquisition date, and contingent considerations meeting the recognition conditions. The combination cost is the initial investment costs of long-term equity investments in individual financial statements.

   ii. Business combination through multiple transactions step by step to realized, the combination cost shall be the sum of the fair value measurement on the acquisition of the equity investment that holding before the acquisition date and cost of all the new investment on the acquisition date. Long-term equity investment cost in individual financial statements shall be the sum of the book value of the equity investment that holding before the acquisition date and cost of all the new investment on the acquisition date. Except for a single transaction.

c) The Company, on the acquisition date, allocates the combination costs between the identifiable assets and liabilities acquired

   i. All assets of the acquiree obtained by the Company through business combination(not limited to those that have been recognized by the acquiree), other than intangible assets, shall be separately recognized and measured at fair value when the future economic benefits arising thereafter are expected to flow into the Company and the fair value can be reliably measured.

ii. Intangible assets of the acquiree obtained by the Company through business combination shall be separately recognized and measured at fair value when their fair values can be reliably measured.

iii. All liabilities of the acquiree obtained by the Company through business combination, other thancontingent liabilities, shall be separately recognized and measured at fair value when fulfillment of relevant obligations are expected to bring future economic benefits to the Company and the fair value can be reliably measured.

iv. Contingent liabilities of the acquiree obtained by the Company through business combination shall be separately recognized as liabilities and measured at fair value when their fair values can be reliably measured.

v. When the Company allocates the cost of business combination and recognizes the identifiable assets and liabilities acquired through combination, it shall not include any goodwill and deferred income taxes that have been recognized by the acquiree before the business combination.

d) Treatment of the difference between the business combination costs and the fair value of net identifiable asset acquired from the acquiree through combination

i. The Company shall recognize the difference of the combination costs in excess of the fair value of the net identifiable asset acquired from the acquiree through combination as goodwill.

ii. The Company shall recognize the difference of the combination costs in short of the fair value of the net identifiable asset acquired from the acquiree through combination according to the following provisions:

1) Review the measurement of fair values of all the identifiable assets, liabilities and contingent liabilities acquired from the acquiree and the combination costs;

2) After the review, if the combination costs are still in short of the fair value of the net identifiable asset acquired from the acquiree through combination, include the difference in the current profit and loss.

6.3 Treatment of relevant expenses arising from the Company's business combination

a) Relevant expenses directly arising from the business combination of the Company (including the expenses for audit, legal services, evaluation and consultation or other intermediary costs for business combination) shall be included in the current profit and loss when they are incurred.

b) Commissions, fees and other expenses paid on issuance of bonds and undertaking of other debts for the business combination shall be included in the initial measurement amount of debt securities.

i. Where the bonds are issued at discount or par value, that part of expenses will increase the amount of the discount;

ii. Where the bonds are issued at premium, that part of expenses will decrease the amount of the premium.

c) Fees, commissions, and other transaction expenses paid on issuance of equity securities as combination consideration in the business combination shall be included in the initial measurement amount of equity securities.

i. Where the equity securities are issued at premium, that part of expenses shall be deducted from capital reserves (stock premium);

ii. Where the equity securities are issued at par value or discount, that part of expenses shall be deducted from the retained earnings.

7. Investment entity

7.1 Determination of investment entity

The company is investment entity when satisfying the following conditions at the same time:

a) The company generates funds from one or more investors , for the purpose of providing investment management service to investors.

b) The company's only business purpose is to get return for investors through capital appreciation, investment interest or both.

c) The company measures and evaluates almost all investment performance at fair value.

7.2 Determination of combination scope

If the company is an investment entity, the company only incorporates the subsidiaries which provides related services for its investment activities into its consolidation scope and prepares consolidation financial statements. For other subsidiaries, the company should not incorporate them into its consolidation scope, but measures them at fair value and movements through current profit or loss.

8 Preparation of consolidated financial statements.

8.1 Consistency of accounting policies and accounting period

All the subsidiaries within the consolidation scope of consolidated financial statements shall adopt the same accounting policies and accounting periods as those of the Company. If the accounting policies or accounting periods of a subsidiary are different from those of the Company, the financial statements of the subsidiary, upon preparation of consolidated financial statements, shall be adjusted according to the accounting policies and accounting periods of the Company.

8.2 Preparation method of consolidated financial statements

The consolidated financial statements are based on the financial statements of the Company and its subsidiaries, and are prepared by the parent company according to other relevant information after the adjustment to long-term equity investments in subsidiaries under the equity method and the elimination of effects of the internal transactions between the Company and its subsidiaries and between the subsidiaries on the consolidated financial statement.

8.3 Reflection of excess losses incurred to a subsidiary in the consolidated financial statements

In the consolidated financial statements, where the current losses undertaken by the parent company are in excess of its share of owners' equity in the subsidiary at the beginning of the period, the balance shall reduce the owners' equity (retained earnings) of the parent company; where the current losses undertaken by a subsidiary's non-controlling shareholders excess those non-controlling shareholders' share of owners' equity in the subsidiary at the beginning of the period, the balance shall reduce the non-controlling interests.

8.4 Changes in number of subsidiaries during the reporting period

a) Acquisition of subsidiaries during the reporting period

i. Treatment of acquiring subsidiaries from business combination under common control during the reporting period

During the reporting period, if the Company acquires subsidiaries from the business combination under common control, the Opening Balance in the consolidated balance sheet shall be adjusted. The income, expenses and profit of the newly acquired subsidiaries from the beginning to the end of the reporting period shall be included in the consolidated income statement. The cash flows of the newly acquired subsidiaries from the beginning to the end of the reporting

period shall be included in the consolidated statement of cash flows.

ii. Treatment of acquiring subsidiaries from business combination not under common control during the reporting period

During the reporting period, if the Company acquires subsidiaries from the business combination not under common control, the Opening Balance in the consolidated balance sheet shall not be adjusted. The income, expenses and profit of the newly acquired subsidiaries from the acquisition date to the end of the reporting period shall be included in the consolidated income statement. The cash flows of the newly acquired subsidiaries from the acquisition date to the end of the reporting period shall be included in the consolidated statement of cash flows.

b) Treatment of disposing subsidiaries during the reporting period

During the reporting period, if the Company disposes subsidiaries, the Opening Balance in the consolidated balance sheet shall not be adjusted. The income, expenses and profit of the newly disposed sub diaries from the beginning to the disposal date shall be included in the consolidated income statement. The cash flows from the beginning to the disposal date shall be included in the consolidated statement of cash flows.

9. Classification of joint venture arrangements and the accounting treatment method of common operation

9.1 Classification of joint venture arrangements

A joint arrangement is classified as either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the joint operators have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the joint ventures only have the rights to the net assets under this arrangement.

A joint arrangement that is not structured through a separate vehicle shall be classified as a joint operation. A separate vehicle refers to a separately identifiable financial structure, including separate legal entities or entities without a legal personality but recognized by statute.

A joint arrangement that is structured through a separate vehicle is usually classified as a joint venture. However, when a joint arrangement provides clear evidence that it meets any of the following requirements and complies with applicable laws and regulations as a joint operation:

a) The legal form of the joint arrangement indicates that the parties that have joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement.

b) The terms of the joint arrangement specify that the parties that have joint control have the rights to the assets, and the obligations for the liabilities, relating to the arrangement.

c) Other facts and circumstances indicate that the parties that have joint control have rights to the assets, and the obligations for the liabilities, relating to the arrangement---for example, the parties that have joint control have rights to substantially all of the output of the arrangement, and the arrangement depends on the parties that have joint control on a continuous basis for settling the liabilities of the arrangement.

9.2 Accounting by parties of a joint operator

A joint operator shall recognize the following items in relation to its interest in a joint operation, and account for them in accordance with relevant accounting standards:

a) Its solely-held assets, and its share of any assets held jointly;

b) Its solely-assumed liabilities, and its share of any liabilities incurred jointly;

c) Its revenue from the sale of its share of the output arising from the joint operation;

d) Its share of the revenue from sale of the output by the joint operation; and

e) Its solely-incurred expenses and its share of any expenses incurred jointly.

10 Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the company's short-term (due within 3 months from purchase date), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

11 Foreign currency transactions and translation of foreign currency statements

11.1Accounting method of foreign currency transactions

a) Initial recognition of foreign currency transactions

For foreign currency transactions incurred, the Company converts the amount in foreign currency into the amount in functional currency at the spot exchange rate (middle rate) announced by the People's Bank of China on the transaction date. Among them, for foreign currency exchange occurred or transaction involving foreign currency exchange, the Company converts at the exchange rate actually adopted on the transaction date.

b) Adjustment or settlement on the balance sheet date or settlement date

On the balance sheet date or the settlement date, the Company handles foreign currency monetary items and foreign currency non-monetary items separately in accordance with the following methods:

i. Accounting principles for handling foreign currency monetary items

For foreign currency monetary items, on the balance sheet date or the settlement date, the Company converts them by using the spot exchange rate (middle rate) prevailing on the balance sheet date or settlement date, and adjusts the amount in functional currency of foreign currency monetary items in respect of the difference arising from exchange rate fluctuations, which shall be treated as exchange difference at the same time. Among them, the exchange differences arising from foreign currency borrowings relating to the acquisition, construction or production of assets eligible for capitalization shall be included in the costs of assets eligible for capitalization; other exchange differences shall be included in the current financial expenses.

ii. Accounting principles for handling foreign currency non-monetary items

1) For foreign currency non-monetary items measured at historical cost, the Company shall convert them at the spot exchange rate (middle rate) prevailing on the transaction date, with their amounts in functional currency remaining unchanged and no exchange differences incurred.

2) For an inventory that is measured at the lower of its costs or its net realizable values, if the net realizable value is determined in foreign currency, the Company, when determining the value of the inventory at the end of the period, shall firstly convert the net realizable value into functional currency and then compare it with the inventory cost reflected in functional currency.

3) Non-monetary items measured at fair value that is reflected in foreign currency at the end of the period, the Company shall firstly translate the foreign currency into the amount in functional currency at the spot exchange rate on the date when the fair value is determined, and then compare it with the original functional currency amount. Difference between the translated functional currency amount and the original functional currency amount is treated

as profit or loss from changes in fair value (including changes in exchange rate) and is recognized in current profit and loss.

11.2Accounting treatment method for translation of foreign currency statements

a) The Company shall translate the financial statements of foreign operations in accordance with the following methods:

i. Assets and liabilities in the balance sheets shall be translated at the spot exchange rates on balance sheet date. Shareholders' equity items, except for the item of "undistributed profit", are translated at the spot exchange rates on the dates when the transactions occur.

ii. Revenue and expense items in the income statement are translated at the spot exchange rates on the dates when the transactions occur or at the exchange rate determined in a systematical and reasonable method and similar to the spot exchange rate on the day when the transactions occur.

Differences arising from the above translations of foreign currency financial statements are separately listed under'other comprehensive income'in the consolidated balance sheet.

The translation of comparative financial statements is handled by reference to the above approach.

b) The Company shall translate the financial statements of foreign operations that are in virulent inflation economy in accordance with the following methods:

i. The Company restates the items in the balance sheet by using the general price index, and restates the items in the income statement by using the changes in general price index, and then converts those items at the spot exchange rate on the latest balance sheet date.

ii. Where the foreign operations are no longer in virulent inflation economy, the Company ceases to restate the financial statements and converts the financial statements restated according to the price level on such cease.

c) Where the Company disposes of an overseas business, it shall transfer the foreign currency financial statements exchange difference, which relates to the business disposed of and is presented under the items of the other comprehensive income in the balance sheet, from the other comprehensive income item to the gain or loss on disposal for the current period. If the overseas business is partly disposed of, the foreign currency financial statements exchange difference shall be calculated in proportion to the percentage of disposal and transferred to gain or loss on disposal for the current period.

12 Financial Instruments

Financial instruments include financial assets, financial liabilities and equity instruments.

12.1Classification of financial instruments

a) Classification of financial assets

Based on business characteristics, investment strategies and risk management requirements, the Company classifies the financial assets it has obtained into the following four categories: (1) financial assets measured at fair value through current profit or loss; (2) held-to-maturity investments; (3) loans and receivables; and (4) available-for-sale financial assets.

Financial assets measured at fair value through current profit and loss include: (1) financial assets held for trading ;(2)financial assets directly designated to be measured at fair value through current profit and loss;(3)investments in subsidiaries that shall not be consolidated by the investment entities ;(4)investments held by venture capital organizations, mutual funds or similar entities.

The equity investment which hasn't control , joint control or significant influence over the investee, based on business characteristics, investment strategies and risk management requirements, can be divided into the first kind of financial assets measured at fair value through current profit and loss or the fourth kind of available-for-sale financial assets. In some special cases, the equity investment can be measured under the cost method.

b) Classification of financial liabilities

Based on business characteristics and risk management requirements, the Company classifies the financial liabilities it undertakes into the following two categories: (1) financial liabilities measured at fair value through current profit and loss (including financial liabilities held for trading and financial liabilities directly designated to be measured at fair value through current profit and loss); and (2) other financial liabilities.

12.2Recognition basis and measurement method of financial instruments

a) Recognition basis of financial instruments

When the Company becomes a party to a financial instrument, it shall recognize a financial asset or financial liability.

b) Measurement method of financial instruments

i. Financial assets or financial liabilities measured at fair value through current profit and loss: they are initially measured at the amount of fair value upon acquisition, and relevant transaction expenses are included in the current profit and loss when incurred. For cash dividends declared but not distributed or bond interest matured but not drawn that have been included in the actual price paid, they shall be separately recognized as dividends receivable or interest receivable. Cash dividends or bond interest gained during the holding period shall be recognized as investment income. On the balance sheet date, they shall be measured at fair values and the changes in their fair values shall be included in current profit or loss. When disposing of a financial asset held for trading, the Company recognizes the difference between the payment actually received (dividends receivable or interest receivable, if any, shall be deducted) and the book value of the financial asset held for trading on the disposal date, and transfers the accumulative amount previously included in profit or loss on changes in fair value to the investment income.

ii. Held-to-maturity investments: they are initially measured at the total amount of their fair values upon acquisition and related transaction expenses. For bond interest matured but not drawn that is included in the actual price paid, they are independently recognized as interest receivable. Interest income is calculated and recognized during the holding period according to the amortized cost and effective interest rates, and included in the investment income. The effective interest rate is determined upon acquisition, and remains unchanged during the expected duration or any applicable shorter period. On the balance sheet date, they are measured at amortized costs. Upon disposal, the difference between the actual proceeds (interest receivable, if any, shall be deducted) and the book value of the held-to-maturity investment is recognized as investment income.

iii. Loans and Receivables: Loans and Receivables are mainly loans granted from financial entities and creditor's rights receivable arising from external sales of goods or rendering of service by general entities, Loans and receivables are measured at amortized cost, using effective interest method. Loans are initially measured at principal and related transaction expenses based on the loans granted at market conditions. For creditor's rights receivable arising from external sales of

goods or rendering of service by general entities their initial recognition amounts shall be the contract price or agreement price receivable from the purchaser Interest income duringthe holding period is recognized under the effective interest method. Receivables are measured at their amortized costs on the balance sheet date. Upon recovery or disposal, the difference between the price received and the book value of loans and receivables are included in the current profit and loss.

iv. Available-for-sale financial assets: they are initially recognized at the sum of fair value upon acquisition and relevant transaction expenses. For cash dividends declared but not distributed or bond interest matured but not drawn that has been included in the actual price paid, it shall be separately recognized as dividends receivable or interest receivable. Cash dividends or bond interest gained during the holding period shall be recognized as investment income. On the balance sheet date, the available-for-sale financial assets are measured at fair values and the changes in their fair values are included in other comprehensive income. Upon disposal, the difference between the payment actually received (dividends receivable or interest receivable, if any, shall be deducted) and the book value of an available-for-sale financial asset shall be included in investment income; and meanwhile, the amount arising from the accumulated changes in fair value, which have been previously included in other comprehensive income, shall be transferred out and included in the investment profit or loss.

v. Other financial liabilities: they are initially recognized at fair values at the time of occurrence plus related transaction costs. Other financial liabilities, whose interest expenses are recognized by using the effective interest method, are measured at their amortized costs on the balance sheet date.

12.3 Recognition basis and measurement method of transfer of financial assets

a) Derecognition criteria of financial assets

When transfer of financial assets occurs, if nearly all of the risks and rewards of ownership of the financial assets have been transferred to the transferee, the Company derecognizes the financial assets; if nearly all of the risks and rewards of ownership of the financial assets are retained, the Company shall not derecognize the financial assets.

When determining whether the transfer of a financial asset meets the above derecognition criteria of financial assets, the Company adopts the principle of substance over form.

b) Treatment of transfer of financial assets satisfying the criteria of derecognition

The Company classifies the transfer of a financial asset into the entire transfer and the partial transfer of financial asset.

i. If the entire transfer of financial asset satisfies the criteria of derecognition, the difference between the amounts of the following two items shall be included in the current profit and loss:

1) The book value of the transferred financial asset;

2) The sum of the consideration received from the transfer and the accumulated amount of the changes in fair value originally and directly included in other comprehensive income (the situation where the financial asset transferred is an available-for-sale financial asset is involved in).

ii. If the partial transfer of financial asset satisfies the criteria of derecognition, the entire book value of the transferred financial asset shall be divided between the derecognized and recognized parts according to their respective fair values and the difference between the amounts of the following two items shall be included in the current profit and loss:

1) The book value of derecognized part;

2) The sum of the consideration for the derecognized part and the portion of derecognition corresponding to the accumulated amount of the changes in fair value originally and directly included in other comprehensive income (the situation where the financial asset transferred is an available-for-sale financial asset is involved in).

c) Treatment of transfer of financial assets not satisfying the criteria of derecognition

If the transfer of financial assets does not meet the derecognition criteria, the financial assets shall continue to be recognized, and the consideration received will be recognized as a financial liability.

12.4 Derecognition criteria of financial liabilities

a) A financial liability shall be wholly or partly derecognized if its present obligations are wholly or partly dissolved. Where the Company enters into an agreement with a creditor so as to substitute the existing financial liabilities with any new financial liability, and the new financial liability is substantially different from the contractual stipulations regarding the existing financial liability, it shall derecognize the existing financial liability, and recognize a new one at the same time.

b) Where substantial revisions are made to some or all of the contractual stipulations of the existing financial liability, the Company shall derecognize the existing financial liability wholly or partly, and at the same time recognize the financial liability with revised contractual stipulations as a new financial liability.

c) Upon whole or partial derecognition of financial liabilities, the difference between the book value of the financial liabilities derecognized and the consideration paid (including non-cash assets surrendered or new financial liabilities assumed) shall be included in the current profit and loss.

d) Where the Company repurchases part of its financial liabilities, it shall, on the repurchase date, allocate the entire book value of financial liabilities according to the comparative fair value of the part that continues to be recognized and de-recognized part. The difference between the book value allocated to the derecognized part and the considerations paid (including non-cash assets surrendered and the new financial liabilities assumed) shall be included in the current profit and loss.

12.5 Method to determine the fair value of financial instrument

a) The fair value of a financial asset or financial liability for which there is an active market shall be determined in accordance with the quoted price in such active market at the measurement date.

b) The fair value of a financial asset or financial liability for which there isn't an active market shall be using valuation techniques. The recognition of the specific principles and methods are dealt with under "Accounting Standard for Business Enterprises No.39—Fair Value Measurement".

12.6 Criteria to identify, way to test and method to provide for the impairment of financial assets (excluding receivables)

On the balance sheet date, the Company shall check the book values of its financial assets (excluding the financial assets measured at fair value through current profit and loss), whether on an individual basis or on a combination basis, recognizes impairment losses on the financial assets with objective evidence of impairment, and provides reserves for the impairment. The objective evidence of impairment of a financial asset includes the serious financial difficulties faced by the issuer or debtor, potential bankruptcy or other financial reorganization incurred to the debtor, and the incapability of the financial asset to be continuously traded in active market caused by the serious financial difficulties incurred to the issuer, severe or prolonged decline in the fair value of equity instrument investment and

other adverse situations.

a) Methods to test and make provision for impairment of held-to-maturity investment

On the balance sheet date, if there is any objective evidence showing that any impairment has occurred to a held-to-maturity investment, the impairment loss is recognized at the difference between its book value and its present value of estimated future cash flows.

i. For a held-to-maturity investment that is individually significant, the Company conducts separate impairment test. If there is any objective evidence of impairment, the Company recognizes the impairment losses at the difference of its present value of estimated future cash flows in short of its book value, and shall accordingly make the provision for such impairment.

ii. For held-to-maturity investments that are individually insignificant and held-to-maturity investments that are individually significant but have no impairment according to the separate test, they are divided into several groups according to similar credit risk characteristics. The impairment losses and provisions for impairment of these groups are calculated and determined based on certain proportions of their balances on the balance sheet date.

b) Methods to test and make provision for impairment of available-for-sale financial asset

On the balance sheet date, if there is any objective evidence showing that an available-for-sale financial asset is impaired, the impairment provision shall be accrued and the impairment loss shall be recognized. For an equity instrument investment, if significant or non-temporary decline in fair value of the available-for-sale equity investment is found after giving comprehensive consideration to relevant factors, it can be concluded that the available-for-sale equity investment is impaired. The "significant decline" refers to a cumulative decline in the fair value exceeding 50%of the cost; and the "non-temporary decline" refers to a continuous decline in the fair value of more than 12months.

When making provision for the impairment of an available-for-sale financial asset, the accumulated loss arising from the decline in fair value that is previously included in other comprehensive income shall be transferred out and included in the current profit and loss. The accumulated loss transferred out shall be balance of the available-for-sale financial asset's initial acquisition cost after deducting the principal recovered and amortized amount, present fair value and impairment loss previously recorded in profit or loss.

After the recognition of an impairment loss, if there is objective evidence showing that the value of financial assets has been recovered and such recovery is objectively related to the events occurring after the recognition of such loss, the impairment loss previously recognized shall be reversed, the impairment loss of available-for-sale equity investment shall be reversed and recognized as other comprehensive income, and the impairment loss of available-for-sale debt instrument shall be reversed and included in the current profit and loss.

For an equity instrument investment that has no quoted price in active market and whose fair value cannot be reliably measured, or a derivative financial asset that is linked to the equity instrument and settled through delivery of such equity instrument, when they are impaired, the difference between the book value of the financial asset and the present value of future cash flows discounted based on the prevailing market rate of return for a similar financial asset shall be recognized as an impairment loss and included in the current profit and loss. Once recognized, the impairment loss shall not be reversed.

12.7Accounting treatment method of reclassifying the undue held-to-maturity investments as available-for-sale financial assets

Where it is not suitable to classify one investment as a held-to-maturity investment any more due to the change in intention or ability to hold the investment, the Company shall reclassify such investment as available-for-sale financial assets; where the Company partly disposes or reclassifies a held-to-maturity investment large in amount, and such disposal or reclassification does not arise from any independent event that is not under the control of the Company, not expected to recur and difficult to reasonably anticipated, the remaining portion of the investment shall also be classified as available-for-sale financial asset.

13 Receivables

13.1Recognition criteria and provision method of bad debts of individually significant receivables

a) Recognition criteria of individually significant receivables

Individually significant receivables refer to accounts receivable whose Closing Balances are over10 million.

b) Provision method of individually significant receivables

On the balance sheet date, the Company separately conducts impairment tests on those individually significant receivables. If there is any objective evidence of impairment, an impairment loss is recognized and a provision for bad debt is made, according to the difference of the present value of estimated future cash flows in short of the book value; Individually significant receivables that are proved to be not impaired according to the tests shall be incorporated into other individually insignificant receivables, and their provisions for bad debts shall be made by using the aging analysis method based on their Closing Balances.

Objective evidence of impairment incurred to receivables includes: (1) the debtor has significant financial difficulty; (2) the debtor violates contractual terms (such as the breach of contract or delay in repaying interest or principal); (3) a concession is made to the debtor in financial difficulty after considering economic or legal reasons; (4) the debtor is likely to face bankruptcy or other debt restructuring.

13.2Receivables whose bad debt provisions are made by portfolio

a) Basis to determine portfolio

Aging portfolios

Receivables that are individually significant but not accrued bad debt provisions after separate tests, and receivables that are individually insignificant after deduction of bad debt provisions separately made, shall all be classified into portfolios of receivables with similar credit risk characteristics by aging.

b) Method of making provision for bad debt by portfolio

As for aging portfolios, after aging analysis, the Company makes bad debt provisions at the following proportions:

Aging	Proportion of provision for accounts receivable (%)	Proportion of provision for other receivables (%)
Within 1 Year (Inclusive)	3	3
1-2 years	10	10
2-3 Years	20	20
3-4 Years	30	30

Aging	Proportion of provision for accounts receivable (%)	Proportion of provision for other receivables (%)
4-5 Years	50	50
Over 5 Years	100	100

13.3Accounts receivable that are individually insignificant but separately accrued bad debt provisions

Individually insignificant receivables refer to accounts receivable whose single amount is less than 10 million.

The Company carries out separate impairment tests on receivables that are individually insignificant but have the following characteristics (such as receivables involved in dispute or litigation with the debtor and requiring arbitration; and receivables for which there are clear indications that the debtor is unable to fulfill the repayment obligations). If there is any objective evidence of impairment, the Company shall recognize the impairment loss and make the bad debt provision according to the difference of the present value of future cash flows in short of the book value. Meanwhile, for receivables that are individually insignificant after the bad debt provisions separately made are deducted, their bad debt provisions shall be made according to principles applied to portfolios of receivables with similar credit risk characteristics by aging

14 **Inventory**

14.1Classification of Inventory

Inventories are classified as: goods in transit, raw materials, revolving materials (including packing materials and low-cost consumables),goods in progress (production costs), finished products (stock commodities) property development cost, developed real-estate products.

14.2 Measurement method of dispatched inventories

Dispatched materials and stock commodities are accounted for by using weighted average method, Dispatched construction is accounted for by using specific identification method, developed real-estate products and consumable biological assets are accounted for by using weighted average method.

14.3 Basis to determine net realizable values of inventories and method of provision for diminutionvalue of inventories

a) Determination basis of net realizable values of inventories

i. In normal operation process, for merchandise inventories held directly for sale, including stock commodities (finished goods) and materials for sale, their net realizable values are determined at their estimated selling prices minus their estimated selling expenses and relevant taxes and surcharges.

ii. In normal operation process, for material inventories that need further processing, their net realizable values are determined at the estimated selling prices of finished goods minus estimated costs to completion, estimated selling expenses and relevant taxes and surcharges.

iii. For inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price. If the quantities of inventories specified in the sales contracts are less than the quantities held by the Company, the net realizable value of the excess portion of inventories shall be based on general selling prices.

iv. The materials held for production shall be measured at cost if the net realizable value of the finished products is higher than the cost. If a decline in the value of materials shows that the net realizable value of the finished products is lower than the cost, the materials shall be measured

at the net realizable value.

b) Provision for diminution in value of inventory

i. Provisions for diminution in value of inventory are made at the lower of costs or net realizable values on a single basis.

i. ii. For inventories that have large quantities but low value, the Company provides for diminution in value of inventory on a category basis.

ii. iii. For inventories that are related to product ranges produced and sold in the same district or used for the same or similar ultimate purpose and are difficult to be measured separately from other inventories, the Company provides for diminution in value of inventory on a consolidation basis.

14.4 Inventory system

The Company adopts perpetual inventory system and takes physical inventory counts on a regular basis.

14.5 Amortization method of revolving materials

a) Amortization method of low-cost consumables:
Low-cost consumables are amortized in full at onceAmortization method of packaging materials
b) Packing materials are amortized in full at oncewhen fetched for use by the Company.

15 Non-current assets held-for-sale

15.1 Scope of non-current assets held-for-sale

Non-current assets held-for-sale include individual asset and disposal group

Disposal group is a group of assets that are disposed as a whole through sales or other ways in one transaction and liabilities directly related to these assets delivered in the transaction.

15.2 Recognition criteria of non-current assets held-for-sale

The Company recognizes its component (or non-current asset) that satisfies all of the following conditions as non-current assets held-for-sale:

a) The component can be sold immediately under its current circumstance and only according to common and accustomed clauses of selling such kind of component;

b) The Company has already made a decision to dispose the component. If it requires shareholders' approval according to regulations, it has already received approval from the general meeting of stockholders or relative authority institution;.

c) The Company has already made an irrevocable transfer agreement with the transferee;

d) The transfer will be completed within one year.

15.3 Accounting treatment and. presentation of non-current assets held-for-sale

For the non-current asset held-for-sale, the Company should adjust the estimated net residual value of the non-current asset to make its estimated net residual value reflect the amount of its fair value less cost of disposal. However, the estimated net residual value should not exceed original book value of the non-current asset when it satisfies recognition criteria of non-current asset held for sale.

Depreciation or amortization should not be provided for the non-current asset held for sale. The non-current asset held for sale is measured at the lower of its book value and fair value less cost of disposal at balance sheet date.

No matter the asset is classified as individual asset held for sale or asset belonging to disposal group, the asset is presented as current assets under "assets classified as held for sale" item; liabilities related to the asset transferred in the disposal group held for sale is presented as current liabilities under "liabilities classified as held for sale" item in the balance sheet.

16 Long-Term Equity Investment

16.1 Recognition of the initial investment costs of long-term equity investments

a) For long-term equity investments from business combinations, the initial investment cost shall be recognized in accordance with the provisions mentioned in III- 5, Accounting Method for Long-term Equity Investment from Business Combinations under Common Control and Business Combination not under Common Control.

b) Except for the long-term equity investments arising from business combinations, those obtained by other means shall recognize their initial investment costs in accordance with the following provisions:

i. For the long-term equity investments obtained by cash paid, non-monetary assets paid or the equity securities issued by the acquirer or otherwise, the Company recognizes their fair value as the initial investment costs.

ii. For the long-term equity investments acquired by the issue of equity securities, the initial investment cost shall be the fair value of the equity securities issued. If the fair value of the long-term equity investment obtained is more reliable than equity securities issued, the initial investment cost shall be the fair value of the long-term equity investment made by the investors. The cost directly attributable to the issue of equity securities, including fees, commissions, etc., write-downs premium price of the issue, if premium price of the issue is insufficient, write-downs surplus reserve and undistributed profit in turn. For the long-term equity investments acquired by the issue of debt securities, reference through the issuance of equity securities.

iii. For long-term equity investments obtained by debt restructuring, the Company recognizes the fair value of shares of debt-for-equity swap as the initial investment costs.

iv. For long-term equity investments obtained by non-monetary assets exchange, under the condition that an exchange of non-monetary assets is of commerce nature and the fair value of assets exchanged can be reliably measured, non-monetary assets traded in is initially stated at the fair value of the assets traded out, unless there is conclusive evidence indicating that the fair value of the assets traded in is more reliable; if the above conditions are not satisfied, initial investment costs of long-term equity investments traded in shall be recognized at the book value of the assets traded out and the relevant taxes and surcharges payable.

Expenses, taxes and other necessary expenses incurred to the Company and that are directly related to the obtainment of long-term equity investments shall be recognized as the initial investment costs of long-term equity investments.

For long-term equity investments obtained by the Company by any means, cash dividends or profit declared but not yet distributed in the actual payments or the consideration actually paid for the investment shall be separately accounted as dividends receivable and shall not constitute the costs of long-term equity investments.

16.2 Subsequent measurement and recognition of gains and losses of long-term equity investments

a) Long-term equity investments measured under the cost method

i. Long-term equity investments that can control the investee are measured under the cost method.

ii. For long-term equity investments accounted at the cost method, except cash dividends or profit declared but not yet distributed which are included in the actual payments or the consideration actually paid for the investment, the cash dividends or profit declared by the investee shall be recognized as the investment income irrespective of net profit realized by the investee before investment or after investment.

b) Long-term equity investments measured under the equity method

i. For the long-term equity investment which has joint control or significant influence over the investee, the equity method is adopted for accounting.

ii. For long-term equity investments measured at the equity method, if the initial investment costs are higher than the investor's attributable share of the fair value of the investee's identifiable net assets, no adjustment will be made to the initial costs of the long-term equity investments; if the initial investment costs are lower than the investor's attributable share of the fair value of the investee's identifiable net assets, the difference shall be recognized in current profit and loss and at the same time the adjustment will be made to the initial costs of the long-term equity investments.

iii. After obtaining the long-term equity investments, the Company shall, according to the shares of net profit and other comprehensive income realized by the investee that shall be enjoyed or borne by the Company, recognize the profit and loss on the investments and adjust the book value of the long-term equity investments. When recognizing the net profit and losses and other comprehensive income of the investee that the Company shall enjoy or bear, the Company shall make a recognition and calculation based on the net book profit and losses of the investee after appropriate adjustments. However, where the Company is unable to obtain the relevant information due to failure to reasonably determine the fair value of the investee's identifiable assets, minor difference between the investee's identifiable assets and the book value thereof or other reasons, the profit or losses on the investments shall be directly calculated and recognized based on the net book profit and losses of the investee. The Company shall calculate the part distributed from cash dividends or profit declared by the investee and correspondingly reduce the book value of the long-term equity investments.

When recognizing the income from investments in associates and joint ventures, the Company shall write off the part of incomes from internal unrealized transactions between the Company and associates and joint ventures which are attributable to the Company and recognize the profit and loss on investments on such basis. Where the losses on internal transactions between the Company and the investee fall into the scope of losses on assets impairment, full amounts of such losses shall be recognized. Profit and loss from internal unrealized transactions between the Company's subsidiaries included into the combination scope and associates and joint ventures shall be written off according to the above principles and the profit and loss on investments thereafter shall be recognized on such basis.

When the share of net loss of the investee attributable to the Company is recognized, it is treated in the following sequence: Firstly, write off the book value of the long-term equity investments; where the book value of the long-term equity investments is insufficient to cover the loss, investment losses are recognized to the extent that book value of long-term equity which form net investment in the investee in other substances and the book value of long-term receivables shall be written off; after all the above treatments, if the Company still assumes additional obligation according to investment contracts or agreements, the obligation expected to be assumed should be recognized as provision and included into the investment loss in the current period. If the investee is profitable in subsequent accounting periods, the Company shall treat the loss in reverse order against that described above after deducting unrecognized share of loss: i.e. write down the book value of the recognized provision, then restore the book value of long-term interests which substantially form net

investments in the investee, then restore the book value of long-term investments, and recognize investment income at the same time.

16.3 Basis for judgment of common control or significant influence over the investee

a) Basis for judgment of common control over investee

Common 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. Relevant activities of an arrangement usually include selling and purchasing of goods or services, managing financial assets, acquiring or disposing of assets, researching and developing activities and financing activities. A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement. The parties have rights to the assets, and obligations for the liabilities, relating to the arrangement, which is a joint operation, but not a joint venture.

b) Basis for judgment of significant influence over investee

The term 'significant influence' refers to the power to participate in decision-making on the financial and operating policies of the investee, but with no control or joint control over the formulation of these policies. Where the Company is able to exert significant influence over the investee, the investee is its associate.

17 **Investment property**

17.1 Scope of investment property

Investment property is the property that is held to earn rent or capital appreciation or both and can be measured and sold separately. The company's investment property includes buildings already rent, land use right already rent, and land use right held for appreciation and then sold.

17.2 Recognition of investment property

Investment property can be recognized when satisfying the following conditions at the same time:

1. It is probable that the economic benefits relevant to the investment property will flow into the Company.
2. The cost of the investment property can be measured reliably

17.3 Subsequent measurement of investment property using cost model

The company uses the cost model for subsequent measurement of the investment property at the balance sheet date.

a) Depreciation and amortization method of investment property

i. For buildings using cost model as subsequent measurement, referring to subsequent measurement of fixed assets, depreciates on a monthly basis.

ii. For land use right using cost model as subsequent measurement, referring to subsequent measurement of intangible assets, amortizes on a monthly basis.

18 **Fixed Assets**

18.1 Recognition of Fixed Assets:

Fixed assets refer to tangible assets held for the purpose of producing commodities, providing services, renting or business management with useful life exceeding one accounting year. Fixed assets are recognized when the following criteria are satisfied simultaneously:

a) It is probable that the economic benefits relating to the fixed assets will flow into the Company;

b) The cost of the fixed assets can be measured reliably.

18.2 Depreciation of Fixed Assets

a) Except for the fixed assets that have been fully depreciated but are still in use and the land, the Company makes provisions for depreciation of all fixed assets.

b) Depreciation of fixed assets of the Company is provided on a straight-line basisfrom the month immediately following the month when they reach the working condition for their intended use. The depreciation amount and depreciation rate shall be calculated and recognized according to the category, estimated useful lives and estimated net residual value rate of fixed assets and respectively included into the costs of the relevant assets or the current profit and loss by purpose.

c) Category, estimated useful lives, estimated net residual value rate and annual depreciation rate of fixed assets are listed as follows:

Category of Fixed Asset	Estimated Useful Life (Yr)	Estimated Residual Value Rate (%)	Annual Depreciation Rate (%)
Buildings& Constructions	20	5	4.75
Machinery Equipment	5-10	5	19.00-9.50
Transportation Equipment	4	5	23.75
Electronic &other equipment	3	5	31.67

When making provision for impairment on fixed assets, the Company shall recalculate the depreciation rate and depreciation amount according to the book value, the estimated net residual value rate and useful lives of the fixed assets.

On the balance sheet date, the Company reviews the estimated useful life, estimated net residual value rate and depreciation method of the fixed assets. If there is any change, they shall be treated as changes in accounting estimate.

a) For decoration costs of fixed assets that are satisfied with capitalization conditions,depreciation is provided for on a straight-line basis separately, during the shorter period of the two decoration periods and useful lives of the fixed assets.

b) For fixed assets acquired through finance lease, if the ownership of the leasing assets can be determined reasonably, make depreciations during the useful life of the leasing assets. If the ownership of the leasing assets cannot be determined reasonably, make depreciations during the shorter period of the lease term and the useful life of the leasing assets.

18.3 Recognition Standard, Valuation Method and Depreciation Method for Fixed Assets Acquired under Financing Lease

a) Recognition standard for fixed assets acquired under financing lease

At the inception of the lease, the Company recognizes the leased fixed assets meeting the standards for financial leases as fixed assets acquired under financing leases.

b) Valuation method for fixed assets acquired under financing lease

At the inception of the lease, the Company shall state the assets acquired under financing lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments, as well as the initial and direct expenses occurred, recognize a long-term payable at the amount of the minimum lease payments, and shall charge the difference of the lower of the fair value of the leased assets or the present value of the minimum lease payments and the minimum lease payments to unrecognized finance expenses. Unrecognized finance expenses shall be amortized at the effective interest rate method in each period during the lease term.

c) Depreciation for Fixed Assets Acquired under Financing Lease

Adapt the same depreciation method as the one used on other fixed assets owned by the company. If there is reasonable assurance that the Company will obtain the ownership of the leased assets when the lease term expires, the leased assets should be depreciated over its useful life; if there is no reasonable assurance that the Company will obtain the ownership of the leased assets when the lease term expires, the leased assets should be depreciated over the shorter of the lease term or the useful life of the leased assets.

19. Construction in Progress

19.1 Categories of Constructions in Progress

Constructions in progress are accounted on an individual project basis.

19.2 Criteria of Conversion of Constructions in Progress into Fixed Assets

The book entry values of the fixed assets are stated at total expenditures incurred before construction in progress reaches the working condition for their intended use. For self-operating projects, total expenditures are measured according to the expenditures of direct materials, direct labor, direct measurement mechanical construction costs and other expenditures; for contracting projects, total expenditures are measured according to project costs payable and other expenditures. Borrowing costs incurred before the projects that are undertaking with borrowing costs reach working condition for their intended use and meeting the condition for capitalization shall be capitalized and included into the costs of construction in progress.

For construction in progress that has reached working condition for intended use but for which the completion of settlement has not been handled, it shall be transferred into fixed assets at the estimated value according to the project budget, construction price or actual cost, etc. from the date when it reaches the working condition for intended use and the fixed assets shall be depreciated in accordance with the Company's policy on fixed asset depreciation; adjustment shall be made to the estimated value based on the actual cost after the completion of settlement is handled, but depreciation already provided will not be adjusted.

20. Borrowing costs

20.1Scope of borrowing costs

The Company's borrowing costs include interest thereon, amortization of discounts or premiums, ancillary expenses and exchange differences incurred from foreign currency borrowings, etc.

20.2Recognition principles of capitalization of borrowing costs

The borrowing costs incurred to the Company and directly attributable to the acquisition and construction or production of assets eligible for capitalization should be capitalized and recorded into relevant asset costs; other borrowing costs should be recognized as costs according to the amount incurred and be included into the current profit and loss.

Assets eligible for capitalization include fixed assets, investment properties, inventories and other assets which may reach the working condition for their intended use or sale by acquisition and construction or production activities for quite long time.

20.3Recognition of capitalization period of borrowing costs

a) Recognition of commencement of capitalization of borrowing costs

Borrowing costs may be capitalized when asset disbursements have already been incurred, borrowing costs have already been incurred and the acquisition and construction or production activities which are necessary to prepare the assets for their intended use or sale have already been started. Among which, asset disbursements include those incurred by

cash payment, the transfer of non-cash assets or the undertaking of interest-bearing debts for acquiring and constructing or producing assets eligible for capitalization.

b) Recognition of period of capitalization suspension of borrowing costs

If the acquisition and construction or production activities of assets eligible for capitalization are interrupted abnormally and this condition lasts for more than three months, the capitalization of borrowing costs should be suspended. The borrowing costs incurred during interruption are charged to profit or loss for the current period, and the capitalization of borrowing costs continues when the acquisition and construction or production activities of the asset resume. If the interruption is necessary for the acquisition and construction or production to prepare the assets for their intended use or sale, the capitalization of borrowing costs should continue.

c) Recognition of period of capitalization cessation of borrowing costs

Capitalization of borrowing costs should cease when the acquired and constructed or produced assets eligible for capitalization have reached the working condition for their intended use or sale. Borrowing costs incurred after the assets eligible for capitalization have reached the working condition for their intended use or sale should be recognized as the current profit and loss when they incur.

If parts of the acquired and constructed or produced assets are completed separately , each part may be used or sold externally in the process of continuous construction of other parts and the necessary acquisition or production activities have been substantially completed to make the part of assets reach the working condition for their intended use or sale, the capitalization of borrowing costs related to the part of assets should be ceased; if parts of the acquired and constructed or produced assets are completed separately but the assets cannot be used or sold externally until overall completion, the capitalization of borrowing costs should cease at the time of overall completion of the said assets.

20.4Recognition of capitalized amounts of borrowing costs

a) Recognition of capitalized amounts of interest on borrowing costs

During the period of capitalization, capitalized amount of the interest of each accounting period (including amortization of discounts or premiums) shall be recognized according to the following provisions:

i. As for special borrowings borrowed for acquiring and constructing or producing assets eligible for capitalization, borrowing costs of special borrowings actually incurred in the current period less the interest income of the borrowings unused and deposited in bank or return on temporary investment should be recognized as the capitalization amount of borrowing costs.

ii. As for general borrowings used for acquiring and constructing or producing assets eligible for capitalization, the interest of general borrowings to be capitalized should be calculated by multiplying the weighted average of asset disbursements of the part of accumulated asset disbursements in excess of special borrowings by the capitalization rate of used general borrowings. The capitalization rate is calculated by weighted average interest rate of general borrowings.

iii. Where there are discounts or premiums on borrowings, the amounts of interest for each accounting period should be adjusted taking account of amortizable discount or premium amounts for the period by effective interest method.

iv. During the period of capitalization, the capitalized amount of interest of each accounting period shall not exceed the current actual interest of the relevant borrowings.

b) Recognition of capitalized amounts of auxiliary expenses of borrowings

i. Auxiliary expenses incurred from special borrowings before the acquired or constructed assets eligible for capitalization reach the working condition for their intended use or sale should be capitalized when they incur and charged to the costs of assets eligible for capitalization; those incurred after the acquired or constructed assets eligible for capitalization reach the working condition for their intended use or sale should be recognized as costs according to the amounts incurred when they incur and charged to the current profit or loss.

ii. Auxiliary expenses incurred from general borrowings shall be recognized as costs according to the amounts incurred when they occur and included in the current profit and loss.

c) Recognition of capitalized amount of exchange differences

During the period of capitalization, exchange differences incurred from the principal and interest of special foreign currency borrowings should be capitalized and included in the costs of the assets eligible for capitalization.

21. Intangible Assets

21.1 Initial measurement of internally researched and developed intangible assets

a) Initial measurement of intangible assets purchased

Costs of intangible assets purchased include purchase price, related tax and expenses and other expenditure that can be distributed to the asset directly to reach its expected use. If payment of the purchase price of intangible assets can be deferred and exceeds normal credit conditions, the purchase has the nature of finance in fact and cost of the intangible asset shall be determined on the basis of present value of the purchase price. The difference between the amount actually paid and the present value of the purchase price should be recorded into current profit or loss other than those should be capitalized during the credit period.

b) Initial measurement of internally researched and developed intangible assets

Costs of internally researched and developed intangible assets shall be recognized according to the total expenses during the period after the assets are eligible for capitalization and before they reach the intended purpose and the expenses that have been included in the previous periods shall no longer be adjusted.

Expenses on the research phase of internally researched and developed intangible assets shall be included in the current profit and loss when they incur; those on the development phase ineligible for capitalization shall be included in the current profit and loss; those eligible for capitalization shall be recognized as intangible assets. If it is unable to distinguish expenditure on the research phase and expenditure on development phase, the research and development expenditures shall be all included in the current profit and loss.

21.2 Subsequent measurement of intangible assets

The useful lives of intangible assets are analyzed on acquisition. Intangible assets obtained by the Company are divided into intangible assets with limited useful lives and intangible assets with indefinite useful lives.

a) Subsequent measurement of intangible assets with limited useful lives

The intangible assets with limited useful lives are amortized on a straight-line basis when they reach intended use over their useful lives with no residual value reserved. Amortizations of intangible assets are usually recorded into the current profit and loss; where the economic benefits of an intangible asset are realized by the products or other assets produced thereafter, the amortizations are recorded into the costs of the relevant assets.

Category, estimated useful life, estimated net residual value rate and annual amortization rate of intangible assets are shown below:

Category of intangible assets	Estimated useful life (years)	Estimated net residual value rate (%)	Annual amortization rate (%)
Land use right	40-37	0	2.50-2.70
Computer software	3~5	0	33.33-20.00

The useful lives and amortization methods of intangible assets at the end of the current year are not different from previous estimates after review.

b) Subsequent measurement of intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are not amortized in the holding period.

21.3 Estimates of useful lives of intangible assets

a) For intangible assets from any contractual right or other statutory rights, their useful lives shall be recognized according to the period no more than that of the contractual or other statutory rights; when the contractual right or other statutory rights contract is extended due to renewal of contracts and there is evidence that the renewal of the Company does not need large costs, the renewal period shall be included into the useful lives.

b) Where the contract or the law fails to specify the useful lives, the Company integrates situations in all aspects and determine the period of intangible assets that can bring economic benefits for the Company by hiring the relevant experts to demonstrate or comparing with the situation of the industry as well as referring to the Company's historical experience or otherwise.

c) If it is still unable to reasonably determine that intangible assets may bring economic benefits for the Company according to the above methods, the intangible assets are taken as intangible assets with indefinite useful lives.

21.4Specific criteria for classifying the research phase and the development phase of an internal research and development project

According to the actual situation of the research and development, the Company classifies the research and development project into that on the research phase and that on the development phase.

a) Research stage

Research stage is the stage when creative and planned investigations and research activities are conducted to acquire and understand new scientific or technological knowledge.

b) Development stage

Development stage is the stage when the research achievements or other knowledge are applied to a plan or design, prior to the commercial production or use, so as to produce any new or

substantially improved material, device or product.

Expenditure of an internal research and development project on the research phase shall be included in current profit and loss when it occurs.

21.5 Specific criteria for qualifying expenditure on the development phase for capitalization

Expenditure on the development phase of an internal research and development project shall be recognized as intangible assets only when the following conditions are simultaneously satisfied:

a) It is technically feasible to finish intangible assets for use or sale;

b) It is intended to finish and use or sell the intangible assets;

c) The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets themselves or the intangible assets will be used internally;

d) It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources;

e) The expenditure attributable to the intangible asset during its development phase can be measured reliably.

21.6Treatment of land use right

a) The land use right obtained by the Company is usually recognized as intangible assets, but the purpose of the land use right is changed to be used for earning rent or increasing capital, it shall be transferred to investment property.

b) For plants and other buildings developed and constructed by the Company, the relevant land use right and buildings shall be treated separately.

c) Payments for externally purchased land and buildings are distributed between the value of buildings and the land use right; those difficult to be distributed shall be all taken as fixed assets.

22. Non-current assets impairment

If there are impairment indicators of long-term equity investment, investment property measured at cost model, fixed assets, construction in progress, intangible assets with indefinite useful lives and other long-term assets at balance sheet date, impairment test should be performed. If the result of impairment test shows that recoverable amount is less than its book value, the difference should be provided for impairment and recorded into impairment loss. The recoverable amount is the higher of fair values less costs of disposal and the present values of the future cash flows expected to be derived from the asset. Provision for impairment is calculated and recognized on the basis of individual asset. If recoverable amount of individual asset is difficult to be estimated, the Company should recognize the recoverable amount of the asset group which the individual asset belongs to. Asset group is the minimum asset group which can generate cash inflow separately.

The Company should perform impairment test for goodwill and intangible assets with indefinite life at least at each year end, no matter whether there is impairment indicator.

When the Company performs impairment test, book value of goodwill arising from business combination should be amortized to relevant asset group using the reasonable method from the date of purchase. If it is difficult to amortize it to relevant asset group, amortize it to relevant asset group portfolio. Apportion book value of goodwill to relevant asset group or asset group portfolio according to the proportion of fair value of asset group or asset group portfolio accounting for total amount of relevant asset group or asset group portfolio. If fair value is difficult to be measured reliably, amortize according to the proportion of book value of asset group or asset group portfolio accounting for total amount of relevant asset group or

asset group portfolio. When perform impairment test for asset group or asset group portfolio including goodwill, if there is impairment indicator of asset group or asset group portfolio relevant to goodwill, perform impairment test for asset group or asset group portfolio without goodwill firstly, calculate its recoverable amount, compare with relevant book value and recognize impairment loss. Then perform impairment test for asset group or asset group portfolio including goodwill, compare book value of the asset group or asset group portfolio (including proportional book value of goodwill) and its recoverable amount, if recoverable amount of relevant asset group or asset group portfolio is less than its book value, recognize impairment loss of goodwill.

Once impairment loss stated above is recognized, reversal is not allowed in the subsequent accounting periods.

23. Long-term deferred expenses

23.1 Scope of long-term deferred expenses

Long-term deferred expenses refer to various expenses which have been already incurred but will be born in this period and in the future with an amortization period of over 1 year (exclusive).

23.2 Initial measurement of long-term deferred expenses

Long-term deferred expenses shall be initially measured according to the actual costs incurred.

23.3 Amortization of long-term deferred expenses

Long-term deferred expenses are amortized using the straight-line method over the beneficial period.

24. Employee benefits

Employee benefits include short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits.

24.1 Short-term benefits

Short-term benefits are the benefits that the Company expect to pay in full within 12 months after the reporting period in which the employee provided relevant services, excluding the compensation for employment termination.

Short-term benefits include: wage, bonus, allowance and subsidy; employee welfare, social securities including health insurance and work injury insurance; housing common reserve fund; union expenditure and employee training expenditure; short-term paid leave; short-term profit-sharing; non-monetary welfare and other short-term benefits.

Actual short term benefits will be recognized as liability during the accounting period in which the employee is providing the relevant service to the Company. The liability will be included in the current profit and losses or the cost relevant assets.

24.2 Post-employment benefits (Defined contribution plan)

The defined contribution plan of the Company includes payments of basic pension, unemployment insurance, annuity, etc. according to relevant provisions. The amount which the Company deposits on balance sheet date in exchange for the service of the employee during the accounting period will be recognized as employee benefits liability and shall be included into the profit or loss for the current period.

24.3 Termination benefits

Termination benefits are the benefits the Company provides to the employee when the Company terminates the employment before labor contract expires or encourages voluntary resignation. Employee benefits liabilities shall be recognized and included into profit or loss for the current period on the earlier date of the two following circumstances:

a) When the Company is not able to withdraw the benefits from termination of employment or resignation persuasion unilaterally;

b) When the Company recognizes costs and fees relevant to reforming the termination benefits payment.

24.4 Other long-term employee benefits

Other long-term employee benefits are all employee benefits other than short-term benefits, post-employment benefits and termination benefits. At the end of reporting period, the company will recognize the employee benefits cost from other long-term employee benefits as the following components:

a) Service cost;

b) Net amount of interest from other long-term employee benefits net liabilities or assets;

c) Changes from recalculation of the net liabilities or assets from other long-term employee benefits.

In order to simplify related accounting procedure, the net amount of the above subjects shall be included into current profit or loss or the cost of relevant assets.

25. Provision

25.1 Recognition principles of provision

When obligations related to external guarantees, pending actions or arbitration, product quality assurance, onerous contracts, reorganization and contingencies satisfy the following three conditions, they shall be recognized as provision:

a) This obligation is a present obligation of the Company;

b) The settlementof such obligation is likely to result in outflow of economic benefits from the Company; and

c) The amount of the obligation can be measured reliably.

25.2 Measurement method of provision

The amount of provision is measured at the best estimate of expenses required for contingencies.

a) If there is continuous range for the necessary expenses, and probabilities of occurrence of all the outcomes within this range are equal, the best estimate shall be determined at the median of the range.

b) The best estimate shall be accounted as follows in other cases:

i. If the contingency involves a single item, the best estimate shall be determined at the most likely outcome.

ii. If the contingency involves two or more items, the best estimate should be determined according to all the possible outcomes with their relevant probabilities.

26 Share-based payment

Share-based payment is classified as equity-settled share-based payment and cash- settled share-based payment.

26.1 Accounting treatment on the date of granting

The Company does not make any accounting treatment on the date of granting, neither for equity-settled share-based payment nor for cash-settled share-based payment, except that the right of the share-based payment can be exercised immediately.

26.2 Accounting on each balance sheet date within vesting period

On each balance sheet date within vesting period, the Company records the service provided by employees or other party as cost and expense, and recognizes equity or liability at the same time.

For the share-based payment attached with market conditions, once employees satisfy all conditions except market conditions, the service acquired can be recognized. If the performance condition is not market condition, the estimate for previous periods can be revised when the vesting period is determined and subsequent information shows that the estimate for conditions of exercising rights requires adjustments.

For equity-settled share-based payment related with employees, charge the service into costs, expenses and capital reserve (other capital reserve), using the fair value of the equity instrument on the date of granting. The subsequent changes of fair value should not be recognized. For cash-settled share-based payment related with employees, recalculate fair value of the equity instrument at each balance sheet date and recognize related costs, expenses and employee benefit payable.

At each balance sheet date within vesting period, the Company makes the best estimate and revises the number of equity instrument that can be exercised according to the latest subsequent information such as change of number of employees who can exercise rights.

Use fair value and the number of of equity instrument stated above to calculate cumulative amount of costs and expenses that should be recognized by this period and then deduct the cumulative amount already recognized in the previous period. The balance is the amount of cost and expense that should be recognized in the current period.

26.3 Accounting treatment after the date when rights can be exercised

For equity-settled share-based payment, after the date when rights can be exercised, no adjustment shall be made to the total amount of the cost expense and equity already recognized. The Company recognizes share capital and capital premium, and carry forward the capital reserve (other capital reserve) recognized within vesting period at the he date when rights can be exercised.

For cash-settled share-based payment, the Company shall not recognize costs and expenses. The change of fair value of liability (employee benefit payable) should be recorded into current profit or loss (profit or loss arising from fair value changes) after the date when rights can be exercised.

Accounting treatment for repurchasing shares regarding employee option incentive

When the Company encourages employees in the form of repurchasing shares, total expenditure of repurchasing shares is regarded as treasury stock and registered for check. At each balance sheet date within vesting period, charge the employee service acquired into costs and expenses, and meanwhile increase capital reserve (other capital reserve), using fair value of the equity instrument at the date of granting. When the employee exercises the right to buy the Company's shares and receives the amount, write off the cost of treasury stock delivered to the employee and the cumulative amount of capital reserve (other capital reserve) recognized within the vesting period, meanwhile the balance adjusting capital reserve (share capital premium).

27 Recognition of revenue

Operating revenue of the Company mainly includes revenue from construction contract revenue from sales of goods, revenue from rendering of service, revenue from transfer of asset use right, for which the recognition principles are as follows:

27.1Recognition of construction contract revenue

a) As to the construction contract whose beginning and completion are in the same accounting year, the Company recognizes the contract revenue and contract expense.

b) As to the construction contract whose beginning and completion are in different accounting years, if the result of the construction contract can be estimated reliably at the balance sheet day, the Company should recognize contract revenues and contract expenses using

percentage-of –completion method at the balance sheet date.

i. When the following conditions are satisfied at the same time, the result of the construction contract whose construction price is fixed can be estimated reliably:
   1) Total revenue of the contract can be measured reliably;
   2) Economic benefits related to the contract can flow into the Company probably;
   3) Contract cost actually incurred can be identified clearly and measured reliably;
   4) Percentage-of –completion and cost that will happen to complete the contract can be determined reliably.

ii. When the following conditions are satisfied at the same time, the result of the cost mark-up contract can be estimated reliably:
   1) Economic benefits related to the contract can flow into the Company probably;
   2) Contract cost actually incurred can be identified clearly and measured reliably.

iii. If the construction cost starts and completes in different accounting years, but the result of the construction contract cannot be estimated reliably, The Company recognizes contract revenues and contract expenses separately depending on the following conditions:
   1) If the contract costs can be recoverable, contract revenues are recognized according to actual contract costs recoverable and contract costs are recognized as contract expenses during the current period when they occur.
   2) If the contract costs cannot be recoverable, recognize contract costs as contract expenses immediately when they occur and do not recognize contract revenues.
   3) If total contract costs estimated will exceed total contract revenues estimated, the Company recognizes the loss estimated as expenses in the current period.

27.2 Recognition principals of revenue from sales of goods

Revenue from sales of goods is recognized when the Company has transferred significant risks and rewards of ownership of the goods to the purchaser; the Company retains neither continuing managerial involvement usually related to the ownership nor effective control over the sold goods; revenues can be measured reliably; the relevant economic benefits are highly likely to flow into the Company; and the relevant costs incurred or to be incurred can be measured reliably.
Recognition principals of revenue from transfer of asset use right

When economic benefits related to transactions are highly likely to flow into the Company and the amount of revenue can be reliably measured, the revenue from transfer of asset use right is recognized.

27.3 Recognition principals of revenues of rendering of services

a) Recognition principals of revenue from rendering of service under the circumstance that the outcome of service transactions can be estimated reliably

   The Company recognizes revenue from rendering of service using the percentage-of-completion method on the balance sheet date when the outcome of service transactions can be estimated reliably.

   When the amount of revenues can be measured reliably, related economic interests are likely to flow into the company, schedule of completion of the transitions can be measured reliably and the cost of transactions incurred or to be incurred can be measured reliably, the outcome of service transactions can be estimated reliably.

b) Recognition principals of revenue from rendering of service under the circumstance that the

outcome of service transactions cannot be estimated reliably

If the outcome of rendering of services on the balance sheet date cannot be measured reliably, the revenues from rendering of services shall be recognized according to the following three conditions:

i. If the labor costs that have already incurred can be fully compensated, the revenues from rendering of services are recognized at the amounts recovered or expected to be recovered and the labor costs that have already incurred shall be carried forward;

ii. If the labor costs that have already incurred can be partially compensated, the revenues from rendering of services are recognized at the recoverable amounts of compensated labor costs and the labor costs that have already incurred shall be carried forward;

iii. If it is expected that all the labor costs that have already incurred cannot be compensated, the labor costs that have already incurred are included into the current profit and loss (costs of sales) and the revenues from rendering of services are not recognized.

27.4 Recognition principals of revenue from transfer of asset use right

The Company recognizes revenue from transfer of asset use right when the relevant economic benefits are highly likely to flow into the Company and the amount of revenue can be reliably measured.

28. Government grants

28.1 Types of government grants

Government grants are monetary assets and non-monetary assets acquired free of charge by the Company from the government, including government grants related to assets and government grants related to income.

Government grants related to assets are government grants that are acquired by the Company and used for forming long-term assets through purchasing and constructing or other ways.

Government grants related to income are government grants other than government grants related to assets.

28.2 Recognition principles of government grants

Government grants are recognized when both of the following conditions are met:

a) The Company can meet the attached conditions for the government grants;

b) The Company can receive the grants.

28.3 Measurement of government grants

a) If a government grant is a monetary asset, it shall be measured in the light of the received or receivable amount.

b) If a government grant is a non-monetary asset, it shall be measured at its fair value; and if its fair value cannot be obtained in a reliable way, it shall be measured at a nominal amount (a nominal amount is CNY 1).

28.4 Accounting treatment method of government grants

a) The government grants related to assets shall be recognized as deferred income at the actual entry amount on acquisition, allocated evenly over the useful lives of the relevant assets, and included in the current profit or loss. Government grants measured at the nominal amount shall be directly included in current profit and loss.

b) Government grants related to income shall be separately handled according to the following circumstances:

i. If government grants related to income are used to compensate the Company's relevant

expenses or losses in future periods, such government grants should be recognized as deferred income on acquisition and be included into the current profit and loss during the period of recognition of the relevant expenses.

ii. If government grants related to income are used to compensate the Company's relevant expenses or losses incurred, such government grants are directly included into the current profit and loss on acquisition.

c) Government grants already recognized required to be refunded shall be handled according to the following circumstances:

i. If there is related deferred income, the book value of relevant deferred income is written down and the exceeding part is recorded in the current profit and loss.

ii. If there is no related deferred income, the exceeding part is directly included in the current profit and loss.

29 Deferred tax

The Company adopts the balance sheet liability method to account for income tax.

29.1 Recognition of deferred tax assets or deferred tax liabilities

a) The Company determines tax base on acquisition of assets and liabilities. On the balance sheet date, the Company analyzes and compares the book value of the assets and liabilities with the tax base. If there are temporary differences between book value of the assets and liabilities and tax base, under the circumstance that the temporary differences incur in the current period and meet the recognition criteria, the Company shall respectively recognize taxable temporary differences or deductible temporary differences as deferred tax liability or deferred tax assets.

b) Recognition basis of deferred tax assets

i. Deferred tax assets incurred from deductible temporary differences are recognized to the extent that they shall not exceed the taxable income probably obtained in future periods to be against the deductible temporary difference. In determining the taxable income probably obtained in future periods, including the taxable income from normal production and operation activities in future periods and the increase of taxable income due to the reversal of taxable temporary differences during the period of reversal of deductible temporary differences.

ii. For deductible losses and tax credits that can be carried forward to the next years, the Company is likely to recognize the corresponding deferred tax assets to the extent that the assets shall not exceed the taxable income in the future for deducting deductible losses and tax credits and that are probably obtained by the Company.

iii. On the balance sheet date, the Company reviews the book value of deferred tax assets. If it is probably unable to obtain sufficient taxable income in the future period to offset the benefits of the deferred tax assets, the Company shall write down the book value of the deferred tax assets; when it is probable to obtain sufficient taxable income, the write-downs shall be reversed.

c) Recognition basis of deferred tax liabilities

The Company recognizes the current and previous taxable temporary differences payable but unpaid as deferred tax liabilities. But they exclude temporary differences arising from goodwill; transactions which are formed other than from business combinations and neither affect the accounting profit nor affect taxable income at the time of occurrence.

29.2 Measurement of deferred tax assets or deferred tax liabilities

a) On the balance sheet date, the deferred tax assets and deferred tax liabilities are measured at the applicable tax rate during the period of expected recovery of the assets or liquidation of the liabilities in accordance with the provisions of the tax law.

b) Where the applicable tax rate changes, the Company remeasures deferred tax assets and deferred tax liabilities recognized, except for those incurred in transactions or events directly recognized in the owner's equity, of which the effect shall be included in the income tax expenses in the current period when the rate changes.

c) When the Company measures the deferred tax assets and deferred tax liabilities, the tax rate and tax base in consistent with the expected recovery of assets or liquidation of liabilities shall be adopted.

d) Deferred tax assets and deferred tax liabilities of the Company shall not be discounted.

30 Accounting treatment of operating lease and financial lease

The Company distinguishes operating lease from financial lease from the beginning day of the lease.

30.1 Accounting treatment of operating lease

Lessee records rents of operating lease into cost of related assets or current profit or loss using straight line method in each period of the lease term. Initial direct expenses incurred are recorded into current profit or loss. Contingent rents are recorded into current profit or loss when occur.

Lessor includes assets used for operating lease in the related items of financial statements. Rent of operating lease is recognized into current profit or loss using straight line method in the various period of the lease term. Initial direct expenses are recorded into current profit or loss. Depreciate fixed asset in the operating lease using depreciation policy of the similar assets. Amortize other operating lease assets using systematic reasonable method. Contingent rent is recorded into current profit or loss when occur.

30.2 Accounting treatment of financial lease

As the lessee, recognize the lower of fair value of lease asset and minimum lease payment at the beginning day of the lease as the initial value of the asset leased in and the minimum lease payment as long-term payable, the difference as unrealized finance expense. Bank charges, lawyer fee, travel allowances, stamp taxes and other initial direct expenses that can be attributable to lease project in the lease negotiation and signing the lease contract are recorded into the asset leased in. Unrealized finance expense is amortized in the period during the lease term and recognized as current finance expenses using actual effective rate method. Contingent rent is recorded into current profit or loss when actually occur.

As the lessor, recognize the total of minimum lease amount received and initial direct expenses as the initial value of financial lease amount receivable and record the residual amount not guaranteed at the same time. Recognize the difference between the total of minimum lease amount received, initial direct expenses and residual amount not guaranteed and present value of that as unrealized finance income. Amortize unrealized finance income in the period during the lease term and use effective interest rate to recognize current finance income. Contingent rent is recorded into current profit or loss when actually occur.

31 Changes in significant accounting policies and accounting estimates

31.1 Changes in significant accounting policies

The Company does not have changes in major accounting policies during current reporting period.

32.2 Changes in significant accounting estimates

The Company does not have changes in major accounting estimates in the reporting period.

IV. Taxes

1. Major tax types and rates

Tax Type	Tax Base	Tax Rate
Value-added tax	Output tax less input tax	17%/3%
Business tax	turnover	3%/5%
Urban maintenance and construction tax	Turnover tax payable	7%/5%
Corporate income tax	Taxable income	25%
Increment tax on land value	turnover	2%

V. Notes to the Main Items of the Consolidated Financial Statements(All currency unit is RMB Yuan, except other statements)

1. Cash and cash equivalents

Item	Closing Balance	Opening Balance
Cash	38,809,970.58	12,683,008.18
Bank deposit	1,160,108,243.97	969,056,152.52
Other cash and cash equivalents	1,218,213,025.65	1,323,735,080.06
Total	2,417,131,240.20	2,305,474,240.76
Including: total deposit abroad	5,630,170.77	15,922,143.44

There are restricted cash and cash equivalents mortgaged, pledged, frozen or deposited abroad whose return of funds is restricted

Item	Ending balance
Bank acceptance bill deposit	1,058,990,000.00
Letter of Guarantee deposit	79,432,701.26
Letter of credit deposit	73,300,000.00
Frozen deposit	16,670,910.80
Mortgage loan deposit	31,650,000.00
Other deposit	6,363,014.74
Total	1,266,406,626.80

2. Financial assets measured at fair value through profit or loss

Item	Closing balance	Opening balance

Item	Closing balance	Opening balance
Trading financial assets	900,800.00	1,368,586.28
Including: Liability instrument investments		
Equity instrument investments		
Derivative financial assets		
Others	900,800.00	1,368,586.28
Designated as financial assets measured at fair value through profit or loss		
Including: Liability instrument investments		
Equity instrument investments		
Others		
Total	900,800.00	1,368,586.28

3. Notes receivable

3.1 Classification of notes receivable

Item	Closing Balance	Opening Balance
Bank acceptance bill	30,774,645.40	39,775,133.00
Commercial acceptance bill	417,947,690.00	146,467,114.62
Total	448,722,335.40	186,242,247.62

4. Accounts receivable

4.1 An analysis of accounts receivable by categories

Type	Closing balance				
	Book balance		Provision for bad debt		Book value
	Amount	Proportion (%)	Amount	Proportion of Provision (%)	
Accounts receivable with significant single amount and tested for impairment individually					
Accounts receivable tested for impairment on a portfolio basis	2,952,875,824.26	100.00	133,496,471.03	4.52	2,819,379,353.23
Accounts receivable with insignificant single amount but tested for impairment individually					
Total	2,952,875,824.26	/	133,496,471.03	/	2,819,379,353.23

(Continued)

Category	Opening balance				
	Book balance		Provision for bad debt		Book Value
	Amount	Proportion (%)	Amount	Proportion of Provision (%)	
Accounts receivable with significant single amount and tested for impairment individually					
Accounts receivable tested for impairment on a portfolio basis	3,140,944,216.83	100.00	184,896,204.49	5.89	2,956,048,012.34
Accounts receivable with insignificant single amount but tested for impairment individually					
Total	3,140,944,216.83	/	184,896,204.49	/	2,956,048,012.34

i. Aging analysis of the receivables is as follows:

Aging	Closing Balance			Opening balance		
	Book balance		Proportion (%)	Book balance		Proportion (%)
	Amount	Provision for bad debt		Amount	Provision for bad debt	
Within 1 year	2,598,234,076.47	77,896,221.01	3	2,219,716,370.26	66,591,491.11	3

Aging	Closing Balance			Opening balance		
	Book balance		Proportion (%)	Book balance		Proportion (%)
	Amount	Provision for bad debt		Amount	Provision for bad debt	
1-2 years	230,049,686.79	23,004,968.68	10	772,830,336.47	77,283,033.65	10
2-3 years	98,049,612.27	19,609,922.45	20	81,260,731.78	16,252,146.36	20
3-4 years	11,421,279.99	3,426,384.00	30	51,706,151.90	15,511,845.57	30
4-5 years	11,124,387.70	5,562,193.85	50	12,345,877.22	6,172,938.60	50
Over 5years	3,996,781.04	3,996,781.04	100	3,084,749.20	3,084,749.20	100
Total	2,952,875,824.26	133,496,471.03		3,140,944,216.83	184,896,204.49	

4.2 Provision and recovery for bad and doubtful debt in the current period

The provision allowance of current period is CNY10,601,615.24, The recovery of current period is CNY62,001,348.70.

4.3 Top five entities with the largest balances of the account receivables

Company name	Amount	Provision Amount	Proportion in the total (%)
Lingbi Traffic Investment Co., Ltd.	170,394,277.10	10,007,083.54	5.77
Taihe key demonstration project leading group office	147,456,742.00	4,423,702.26	4.99
Beijing ZhongJian Xinghua Real Estate Development Co., Ltd.	97,441,319.95	2,923,239.60	3.30
Nantong Huixin Real Estate Development Co., Ltd	85,761,229.07	2,572,836.87	2.90
Tianjin Shengzhong Real Estate Investment Co., Ltd.	85,127,927.62	2,553,837.83	2.88
Total	586,181,495.74	22,480,700.10	19.84

5. Prepayment

5.1 Aging analysis

Aging	Closing Balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	276,730,817.49	83.07	293,403,020.73	87.70
1-2 years	37,626,538.93	11.29	28,154,211.04	8.42

Aging	Closing Balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
2-3 years	18,149,748.29	5.45	7,327,148.18	2.19
3-4 years	626,159.00	0.19	5,674,204.91	1.69
4-5 years				
Over 5 years				
Total	333,133,263.71	100.00	334,558,584.86	100.00

5.2 Significant prepayments whose aging is over 1 year

Debtor's name	Closing balance	Reason for unsettlement
Liu Yicai	6,406,467.58	In the performance of the contract
Tianjin Huian Fire Equipment Installation Engineering Co., Ltd	5,210,000.00	In the performance of the contract
Tianjin Heyunchuangzhan construction and Decoration Engineering Co., Ltd. (Chaoyang Garden)	3,010,000.00	In the performance of the contract
Zhang Jun	2,970,000.00	In the performance of the contract
Tianjin Kaichi Construction Engineering Co., Ltd.	2,905,709.29	In the performance of the contract
Tianjin Huian Fire Equipment Installation Engineering Co., Ltd	2,303,000.00	In the performance of the contract
Tianjin Langyuan Power Engineering Co., Ltd.	2,105,025.00	In the performance of the contract
Total	24,910,201.87	/

5.3 Top five entities with the largest balances of prepayments

Debtor's name	Amount	Proportion in the total (%)
Guangzhou Hengda Taobao Football Club Co., Ltd.	60,000,000.00	18.01
Beijing Industrial Co., Ltd.	29,788,184.88	8.94
Shanghai Yu Xiang International Trade Co., Ltd.	29,623,638.73	8.89
Chongqing Zhong Lin Wood Co., Ltd.	17,000,000.00	5.10
Nantong Bao Yang Building Materials Trade Co. Ltd.	16,583,339.21	4.98
Total	152,995,162.82	45.92

6. Interest receivable

6.1 Classification of interest receivable

Item	Closing balance	Opening balance
Fixed deposits	3,294,157.64	133,213.47
Entrusted loans	1,790,290.82	333,333.40
Total	5,084,448.46	466,546.87

7. Other receivables

7.1 Other receivables disclosed by categories

Category	Closing Balance				
	Book Balance	Proportion (%)	Provision for bad debt	Provision Proportion (%)	Book Value
Other receivables with significant single amount and tested for impairment individually					
Other receivables tested for impairment on a portfolio basis	3,450,181,591.53	100.00	248,461,099.27	7.20	3,201,720,492.26
Portfolio under the aging analysis method					
Sub-total					
Other receivables with insignificant single amount but tested for impairment individually					
Total	3,450,181,591.53	/	248,461,099.27	/	3,201,720,492.26

(Continued)

Category	Opening Balance				
	Book Balance	Proportion (%)	Provision for bad debt	Provision Proportion (%)	Book Value
Other receivables with significant single amount and tested for impairment individually					
Other receivables tested for impairment on a portfolio basis	2,981,585,088.28	100.00	266,199,933.25	8.93	2,715,385,155.03
Portfolio under the aging analysis method					
Sub-total					

Category	Opening Balance				
	Book Balance	Proportion (%)	Provision for bad debt	Provision Proportion (%)	Book Value
Other receivables with insignificant single amount but tested for impairment individually					
Total	2,981,585,088.28	/	266,199,933.25	/	2,715,385,155.03

ii. An analysis of provision under the aging analysis method

Aging	Closing Balance			Opening Balance		
	Account Receivable	Provision for bad debt	Proportion of Provision (%)	Account Receivable	Provision for bad debt	Proportion of Provision (%)
Within 1 year	2,761,204,313.65	83,345,072.99	3	1,783,902,622.84	58,237,387.40	3
1-2 years	383,702,614.47	36,818,121.85	10	862,094,243.12	86,209,424.32	10
2-3 years	185,653,380.06	36,829,064.00	20	65,758,865.40	13,151,773.08	20
3-4 years	23,721,514.49	7,116,454.35	30	187,591,835.22	56,924,934.62	30
4-5 years	23,094,765.57	11,547,382.78	50	61,475,020.75	30,913,912.88	50
Over 5 years	72,805,003.29	72,805,003.30	100	20,762,500.95	20,762,500.95	100
Total	3,450,181,591.53	248,461,099.27		2,981,585,088.28	266,199,933.25	

7.2 Provision and recovery for bad and doubtful other receivables in the current period.

The provision allowance of current period is CNY 30,330,415.33, The recovery of current period is CNY 47,955,399.29, Other adjustments is CNY-113,850.02 in the current period.

7.3 Top five entities with the largest balances of the other receivables

Company Name	Category	Closing Balance	Aging	Proportion in total receivables	Provisioning amount at period end
Shanghai JianXu investment management center (limited partnership) [note]	Borrowing	450,000,000.00	Within 1 year	13.04	13,500,000.00
Nantong Yucheng Construction Co., Ltd.	Fund intercourse	118,840,801.52	Within 1 year	3.44	3,565,224.05
HaoJia Hengye Construction Development Co., Ltd.	Fund intercourse	105,725,655.51	within 1 year 1105,582,254.45 CNY;1-2 years;117,841.06 CNY: 2-3 years 5,560.00 CNY	3.06	3,184,363.74

Company Name	Category	Closing Balance	Aging	Proportion in total receivables	Provisioning amount at period end
Nantong XinHai refrigerant Co. Ltd.	Compensatory payment	105,511,968.24	1-2 years	3.05	10,551,196.82
QuanJiao Huafu Real Estate Co., Ltd.	Borrowing	102,814,205.49	within 1 year 80,521,407.49 CNY;1-2 years 22,292,798.00 CNY	2.98	4,644,922.02
Total		882,892,630.76		25.57	35,445,706.63

[NOTE] The company's subsidiary Zhuhai Jianrong Investment Holdings Co.,Ltd. and its subsidiary Zhuhai Zhongrui Zhaoyang Equity Investment Fund Management Co., Ltd., lend CNY450 million to Shanghai Jian Xu Investment Management Center (limited partnership). Borrowing period is 3 months since October 12th, 2015 and can be extended 2 times, each time for 1 months, interest is calculated at annual interest rates.

Shanghai jianxu investment management center (limited partnership) and Shanghai Yi Chang investment management Co., Ltd. signed a borrowing agreement, the amount of borrowing is CNY450 million, the borrowing period is 3 months, can be extended 2 times, each time for 1 months. The interest on borrowings is calculated at 6.66% per annum. Shanghai Yichang Investment Management Co., Ltd borrowed for the acquisition of Shanghai Ming Kong Investment Co., Ltd. equity and the relevant assets and claims under its name

8. Inventories

8.1 Categories of Inventory

Category	Closing Balance			OpeningBalance		
	Book Balance	Provision for depreciation	Book Value	Book Balance	Provision for depreciation	Book Value
Raw material	310,801,821.16		310,801,821.16	326,036,176.09		326,036,176.09
Packaging	25,829,123.04		25,829,123.04	2,623,000.00		2,623,000.00
Low value consumable	22,368,548.48		22,368,548.48	5,772,960.49		5,772,960.49
Merchandise inventory	32,119.74		32,119.74			
Working Capital Construction materials	57,217,272.29		57,217,272.29	67,219,808.28		67,219,808.28
Development cost	736,476,049.21		736,476,049.21	683,123,098.52		683,123,098.52
Product development	449,609,486.66		449,609,486.66	40,067,340.31		40,067,340.31
Completed unsettled assets	5,579,267,833.76		5,579,267,833.76	1,767,362,664.93		1,767,362,664.93

Category	Closing Balance			OpeningBalance		
	Book Balance	Provision for depreciation	Book Value	Book Balance	Provision for depreciation	Book Value
formed by construction contracts						
Total	7,181,602,254.34		7,181,602,254.34	2,892,205,048.62		2,892,205,048.62

8.2 Closing conditions of assets completed but not settled through construction contracts

Item	Amount
Cumulative costs incurred	49,306,661,216.05
Cumulative profit recognized	7,012,183,450.97
Less :Estimated loss	
Amount settled	50,739,576,833.26
Assets completed but not settled through construction contracts	5,579,267,833.76

9. Other current assets

Item	Closing balance	Opening balance
Financial products	103,500,000.00	345,500,000.00
Rent	7,732.60	
Total	103,507,732.60	345,500,000.00

10. Available-for-sale financial assets

10.1 Details of available-for-sale financial assets

Item	Closing Balance			Opening Balance		
	Book Balance	Provision for impairment	Book Value	Book Balance	Provision for impairment	Book Value
Available –for-sale debentures						
Available-for-sale equity instruments	130,109,061.88		130,109,061.88	120,702,971.58		120,702,971.58
Measured by cost	130,109,061.88		130,109,061.88	120,702,971.58		120,702,971.58
Total	130,109,061.88		130,109,061.88	120,702,971.58		120,702,971.58

10.2 Ending available-for-sale financial assets measured at cost

Investee	Book Balance				Provision for impairment				Proportion of Equity Held in Investee (%)	Current Period Cash dividends
	Opening	Increase in Current Period	Decrease in Current Period	Closing	Beginning	Increase in Current Period	Decrease in Current Period	Closing		

Investee	Book Balance				Provision for impairment				Proportion of Equity Held in Investee (%)	Current Period Cash dividends
	Opening	Increase in Current Period	Decrease in Current Period	Closing	Beginning	Increase in Current Period	Decrease in Current Period	Closing		
Hefei Jin Hao construction and development company[note 1]	24,700,000.00		2,000,000.00	22,700,000.00					25.00	
Jiangsu Haimen Rural Commercial Bank Limited by Share Ltd	49,500,000.00			49,500,000.00					6.67	5 million yuan
Jiangsu Haimen Jianxin Village Bank Co., Ltd.	9,500,000.00			9,500,000.00					9.50	
Nantong Energy Investment Fund Center	4,160,000.00			4,160,000.00					3.70	
Zhongjihua (Zhangjiakou) commercial real estatedevelopment Co., Ltd.[note 2]	22,692,971.58		1,055,509.70	21,637,461.88					51.00	
Jiangsu Nantong Sanjian Construction group third construction and	150,000.00			150,000.00					0.30	
Jiangsu Nantong Sanjian building decoration Co., Ltd.	2,000,000.00			2,000,000.00					10.00	
Shenzhen Tefa Property Management Co., Ltd.		12,461,600.00		12,461,600.00					20	
Hebei Based Real Estate Development Co., Ltd.[note 3]	8,000,000.00			8,000,000.00					40.00	
Total	120,702,971.58	12,461,600.00	3,055,509.70	130,109,061.88						5 million yuan

[Note 1] The Company Signed a share transfer agreement with Jiangsu Jiankun Property Co., Ltd. on May 30th, 2005 and June 20th, 2005, investing CNY 25 million for 25% equity of Jinhe (Hefei) Construction and Development Co., Ltd. which was held by Jiangsu Jiankun Property Co., Ltd., but the company is not directly involved in business management, this issue should be cooperative development of real estate project. After the signing of the share transfer agreement, Jiangsu Jiankun Property Co., Ltd. did not transfer 25% equity to the companyas contracted. On April 13th, 2015, through the Anhui Provincial Higher People's Court civil

mediation, Jiangsu Jiankun Property Co., Ltd. agreed to return the payment of equity transfer at CNY 22.7 million before December 31st, 2016 and to pay the interest at CNY 14.60 million before December 31st, 2017.

[Note 2] On September 26th, 2009, the Company signed a cooperation agreement with Zhongjihua (Zhangjiakou) Commercial Network Real Estate Development Co., Ltd. to develop Jinding Commercial Building and International Hotel Apartment Project, owning 51% revenue distribution rights. The company is not directly involved in the management, thus this issue should be cooperative development of real estate project. On June 15th, 2015, the Company signed a repayment agreement with Zhongjihua (Zhangjiakou) Commercial Network Real Estate Development Co., Ltd. and Zhongjihua (Zhangjiakou) Commercial Network Real Estate Development Co., Ltd. agreed to pay principal investment and income of the Company at CNY 63.67 million before December 31st, 2017.

[Note 3] The company's wholly-owned subsidiary, Nantong Chenkunyu Investment Co., Ltd., signed a cooperation agreement and Hebei Zhongji Real Estate Development Co., Ltd. on May 15th, 2010, decided toco-financed the acquisition of Guangzhou Tongdeli Real Estate Development Co., Ltd. with 100% shareholding, Nantong Chenyukun Investment Co., Ltd. got 40% equity of project (May 10th, 2012, the two sides signed an agreement which confirmed the contracted acquisition of 100% shareholding of Guangzhou Tongdeli Real Estate Development Co., Ltd. was actually changed to 100% shareholding of Qingyuan Yujin Investment Co., Ltd.). On January 10th, 2013, the two sides agreed that regardless of profit and loss and process of the project, Hebei Zhongji Real Estate Development Co., Ltd. should assign the 40% shareholding of Nantong Chenyukun Investment Co., Ltd., pricing at CNY 80 million. The company is not directly involved in the management, thus this issue should be cooperative development of real estate project. The investment cost of the project is CNY 40 million, and CNY 32 million investment has been recouped. On January 22nd, 2015, according to the judgement of intermediate people's Court of Nantong City, Jiangsu Province, the defendant, Hebei Zhongji Real Estate Development Co., Ltd. should pay equity transfer fee at CNY 48 million and breach of contract damagesto Nantong Chenyukun Investment Co., Ltd. within ten days from the date when the judgment comes into effect. As of December 31st, 2015, Nantong Chenyukun Investment Co., Ltd. has not yet received the equity transfer fee.

11. Long-tern receivables

11.1Details of long-tern receivables

Item	Closing balance			Opening balance			Range of discount rate
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value	
Finance lease amount	24,800,000.00		24,800,000.00	7,500,000.00		7,500,000.00	
BT project	304,875,927.91		304,875,927.91	390,826,635.44		390,826,635.44	6.50%-9.5%
Total	329,675,927.91		329,675,927.91	398,326,635.44		398,326,635.44	/

12. Long-term equity investments

Investee	Opening Balance	Changes in Current Period	Closing Balance	Closing Balance of provision for impairment

		Increase	Decrease	Profit or loss recognized under equity method		
16.1 Joint Venture						
Subtotal						
16.2 Associated Enterprise						
Qingdao Tianxin Real Estate Co., Ltd.	46,867,516.35		527,019.18		47,394,535.53	
Shenzhen Zhuke Yunfu Technology Co., Ltd		1,750,000.00			1,750,000.00	
Subtotal	46,867,516.35	1,750,000.00	527,019.18		49,144,535.53	
Total	46,867,516.35	1,750,000.00	527,019.18		49,144,535.53	

[Note] Shenzhen Zhuke Yunfutechnology Co., Ltd. was established in December 25, 2015, the company holds a 35% shares in the company

13. Investment properties

13.1 Investment properties measured at cost model

Item	Properties and buildings	Land use rights	Construction in process	Total
I .Original book value				
1.Opening balance				
2.Addition this period	10,397,800.00			10,397,800.00
(1)Purchase				
(2)Inventory\Fixed assets\Transfer from construction in progress				
(3)Increase from business combination	10,397,800.00			10,397,800.00
3.Decrease this period				
(1)Disposal				
(2)Other transfer out				
4.Closing balance	10,397,800.00			10,397,800.00
II .Accumulated depreciation and amortization				
1.Opening balance				
2.Addition this period	484,870.56			484,870.56
(1)Provision or amortization	484,870.56			484,870.56
(2) Increase from business combination				

Item	Properties and buildings	Land use rights	Construction in process	Total
3. Decrease this period				
(1)Disposal				
(2)Other transfer out				
4.Closing balance	484,870.56			484,870.56
4. Closing balance				
IV. Book value				
1.Closing book value	9,912,929.44			9,912,929.44
2.Opening book value				

14. Fixed Assets

14.1Details of Fixed Assets

Item	Buildings and constructions	Machinery equipment	Transportation equipment	Other equipment	Total
Original cost of fixed assets					
1.Opening Balance	210,008,622.76	438,635,098.90	69,521,584.95	72,822,699.10	790,988,005.71
2.Increase in current period	56,993,196.10	29,882,789.88	11,421,911.56	13,449,556.73	111,747,454.27
(1)External purchase	39,494,386.47	29,882,789.88	11,421,911.56	13,449,556.73	94,248,644.64
(2)Transfer from construction in progress	17,498,809.63				17,498,809.63
(3) Increase from business combination					-
3.Decrease in current period	5,569,250.56	170,737,191.70	1,582,073.22	45,573,120.25	223,461,635.73
(1) Disposal or scrap	5,569,250.56	170,737,191.70	1,582,073.22	45,573,120.25	223,461,635.73
(2)Decrease from business combination					-
4.Closing Balance	261,432,568.30	297,780,697.08	79,361,423.29	40,699,135.58	679,273,824.25
Accumulated depreciation					
1.Opening Balance	49,178,305.02	255,687,307.84	38,893,691.12	34,449,452.81	378,208,756.79
2.Increase in current period	18,167,631.68	18,706,302.20	9,140,417.58	7,901,276.45	53,915,627.91
(1) Provision	18,167,631.68	18,706,302.20	9,140,417.58	7,901,276.45	53,915,627.91

Item	Buildings and constructions	Machinery equipment	Transportation equipment	Other equipment	Total
3.Decrease in current period	1,311,962.60	71,634,387.51	164,211.20	22,598,159.91	95,708,721.22
（1）Disposal or scrap	1,311,962.60	71,634,387.51	164,211.20	22,598,159.91	95,708,721.22
(2)Decrease from business combination					
4.ClosClosing Balance	66,033,974.10	202,759,222.53	47,869,897.50	19,752,569.35	336,415,663.48
4.Closing Balance					
Carrying Amount					
1.Closing carrying amount	195,398,594.20	95,021,474.55	31,491,525.79	20,946,566.23	342,858,160.77
2.Opening carrying amount	160,830,317.74	182,947,791.06	30,627,893.83	38,373,246.29	412,779,248.92

15. Construction in progress

15.1 Details of the construction in progress

Item	Closing Balance			Opening Balance		
	Book Balance	Provision for impairment	Net book value	Book Balance	Provision for impairment	Net book value
ShiShan Hotel Renovation				8,000.00		8,000.00
Total				8,000.00		8,000.00

15.2 changes in construction in progress

Item	Budget[*]	Opening Balance	Increase in current period	Decrease in current period		Closing Balance
				Transfer into fixed assets	Other decreases [**]	
ShiShan Hotel Renovation		8,000.00	17,490,809.63	17,498,809.63		

(Continued)

Item	Progress (%)	Proportion of accumulative project input in budget (%)	Interest capitalization			Source of funds
			Accumulative amount	Amount in the current period	Interest capitalization rate (%)	
Shishan Hotel Renovation	100					Raise independently

16. Intangible assets

16.1 Details of intangible assets

Item	Trademark right	Land use right	Land ownership[*]	Computer software	Know How	Total
Original book value of intangible assets						
Opening Balance		48,417,718.00		329,632.65		48,747,350.65
Increase in current period				175,552.65		175,552.65
Including: Acquired				175,552.65		175,552.65
Internally developed						0.00
Business combination						0.00

Item	Trademark right	Land use right	Land ownership[*]	Computer software	Know How	Total
Decrease in current period		16,108,788.00				16,108,788.00
Including: Disposal		16,108,788.00				16,108,788.00
Business combination						0.00
Closing Balance		32,308,930.00		505,185.30		32,814,115.30
Accumulated amortization of intangible assets						
Opening Balance		8,454,016.18		45,913.05		8,499,929.23
Increase in current period		838,577.11		122,553.99		961,131.10
Including: Provision		838,577.11		122,553.99		961,131.10
Business combination						
Decrease in current period		1,543,758.85				1,543,758.85
Including: Disposal		1,543,758.85				1,543,758.85
Business combination						
Closing Balance		7,748,834.44		168,467.04		7,917,301.48
Net value of intangible assets						
Closing Book Value		24,560,095.56		336,718.26		24,896,813.82
Opening Book Value		39,963,701.82		283,719.60		40,247,421.42

17. Goodwill

17.1 Original cost of goodwill

Investee's name or items resulting in goodwill	Opening balance	Addition this period		Elimination this period		Closing balance
		Business combination		Disposal		
Beijing Hongtai Xinghua Economic And Trade LLC	3,656,903.21					3,656,903.21
Arch-Harmony Architecture Design	18,153,748.65					18,153,748.65

Investee's name or items resulting in goodwill	Opening balance	Addition this period		Elimination this period		Closing balance
		Business combination		Disposal		
Co., Ltd						
NanTong Yuheng Real Estate Co., Ltd.		1,192,644.23				1,192,644.23
Tianjin Yu Hai Real Estate Co., Ltd.		9,659,650.01				9,659,650.01
Anhui Road Network Traffic Construction Group Co., Ltd.	140,619,150.79					140,619,150.79
Total	162,429,802.65	10,852,294.24				173,282,096.89

2) Description of impairment test method and provision for impairment of goodwill

The goodwill of the Company is formed by the merger of enterprises not under common control and is measured at the difference between the combined cost and the fair value of the identifiable net assets of the purchased entity. The initial recognition of goodwill, is measured at the cost of deducting the accumulated impairment loss, is not amortized but is subject to impairment test at the end of each year.

Tested for impairment of goodwill includes asset group or combination of asset groups, comparing the related asset group or combination of asset groups' book value (Including the book value of the apportionment of goodwill) with the recoverable amount,for instance, the recoverable amount of asset group or combination of asset groups is lower than the book value, confirm the impairment loss of goodwill. Impairment losses of goodwill should not be reversed as long as they are stated.

3) Description of the Calculation of Goodwill

A. Beijing Hongtai Xinghua Economic and Trade LLC. On October 16th, 2013, the company and Li Zengyang, Xia Lijun had reached an agreement on capital increase and share expansion, making an acquisition of Beijing Hongtai Xinghua Economic and Trade LLC. With 100% shareholdings, and completed the registration procedures of alteration of shareholders on December 26th, 2013. This issue has defined as the business combination not under the same control, the acquisition cost confirmed by the company is 8.388 million, the combination date is December 31st, 2013. Based on evaluation, the net identifiable assets of Hongtai Xinghua is about CNY 8.642 million, deducting the deferred income tax liabilities at about CNY 1.725 million generated from added value of evaluation, adding the deferred income tax assets at about 1.106 million yuan generated from impairments of evaluation, therefore, the fair value of net identifiable assets of the acquired company is about CNY 8.022 million. Thus, the company confirmed the goodwill at about CNY 3.657million.

B. Beijing Arch-Harmony Architecture Design Co., Ltd. On February 18th, 2014, the company and Wei Junwu, Shang Weiling had reached an agreement on capital increase and share expansion, making an acquisition of Beijing Arch-Harmony Architecture Design Co., Ltd. with 60% shareholdings. This issue is defined as the business combination not under the same control, the acquisition cost confirmed by the company is CNY 2.1 million, the combination date is March 31st, 2014. According to evaluation, the net identifiable assets of Arch-Harmony is about CNY 4.230 million, adding the deferred income tax assets at about CNY 5.135 million, the fair value of net identifiable assets of the acquired company is about CNY 4.744 million. Therefore, the company confirmed the goodwill at about CNY 1.815 million.

C. Anhui Province Luwang Traffic Construction Group Corporation Limited. On February 21st, 2014, the company and Liu Yifu had reached an agreement on capital increase, making an acquisition of Anhui Province Luwang Traffic Construction Group Corporation Limited with 55% shareholdings. This issue is defined as the business combination not under the same control, the acquisition cost confirmed by the company is CNY 46.9 million, the combination date is December 31st, 2013. Based on evaluation, the net identifiable assets of Luwang is about CNY 12.891 million, deducting the deferred income tax liabilities at about CNY 85.493 million, the fair value of net identifiable assets of the acquired company is about CNY 32.838 million. Accordingly, the company confirmed the goodwill at about CNY 14.062 million.

D. Nantong Yuheng Real Estate Co., Ltd. On January 2nd, 2014, the company signed the cooperation development intention agreement with Nantong Jiahong Real Estate Co., Ltd., after that, signed supplementary agreement of the project cooperation development intention agreement on April 1st, 2015, aiming at capital increase and share expansion for the cooperation project of Longyou Lake, which occupies 85% of Yuheng. This issue is defined as the business combination not under the same control, the acquisition cost confirmed by the company is about 8.5 million yuan, the combination date is April 1st, 2015. Based on evaluation, the net identifiable assets of Yuheng is about CNY 9.813 million, adding the deferred income tax assets at about CNY 4.674 million, the fair value of net identifiable assets of the acquired company is about CNY 8.381 million. Accordingly, the company confirmed the goodwill at about CNY 1.193 million.

E. Tianjin Yuhai Housing Leasing Co., Ltd. On December 3rd, 2014, the company signed the equity transfer agreement with Nantong Haijin Construction Installation Engineering Co., Ltd., making an acquisition of T Tianjin Yuhai Housing Leasing Co., Ltd. with 100% shareholdings. This issue is defined as the business combination not under the same control, the acquisition cost confirmed by the company is about CNY 1.896 million, the combination date is January 1st, 2015. Based on evaluation, the net identifiable assets of Yuhai is about CNY 1.0398 million, deducting the deferred income tax liabilities at about CNY 0.11 million, the fair value of net identifiable assets of the acquired company is about CNY 0.930 million. Accordingly, the company confirmed the goodwill at about CNY 0.966 million.

18. Long-term prepaid expenses

Item	Opening Balance	Increase in the current period	Amortization for the current period	Other decreases	Closing Balance
Lease fee	4,988,565.00	2,700,000.00	957,800.00		6,730,765.00
Decoration fee	756,170.08	29,508,667.71	902,477.66		29,362,360.13
Total	5,744,735.08	32,208,667.71	1,860,277.66	-	36,093,125.13

19. Deferred tax assets/ deferred tax liabilities

19.1 Deferred tax assets before offset

Item	Closing Balance		Opening Balance	
	Deductible Temporary Differences	Deferred Tax Assets	Deductible Temporary Differences	Deferred Tax Assets

Item	Closing Balance		Opening Balance	
	Deductible Temporary Differences	Deferred Tax Assets	Deductible Temporary Differences	Deferred Tax Assets
Provision for asset impairment	385,168,838.68	96,292,209.67	451,096,137.74	112,774,034.43
Impairment of assets under the control of enterprises under the same control	22,312,935.87	5,578,233.97	34,770,482.98	8,692,620.75
Total	407,481,774.55	101,870,443.64	485,866,620.72	121,466,655.18

19.2 Deferred tax liabilities before offset

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Valuation of appreciation of business combination assets not under common control	86,471,289.20	21,617,822.30	90,649,866.68	22,662,466.67
Valuation of transactional financial instrument and derivative financial instrument				
Fair value changes of available for sale assets				
Total	86,471,289.20	21,617,822.30	90,649,866.68	22,662,466.67

20. Other non-current assets

Item	Closing Balance	Opening Balance
Temporary facilities	23,080,605.37	12,267,575.71
Entrusted loan [note]	200,000,000.00	100,000,000.00
Total	223,080,605.37	112,267,575.71

[Note] On May 15th, 2015,Zhuhai Zhongruizhaoyang Equity Investment Fund Management Co., Ltd which is sub-subsidiary of the company, Provided entrusted loans at CNY 200 million to Changsha Jinguanghua Holdings Co., Ltd.through CITIC Bank Changsha branch, the maturity date of loan is November 21st, 2015. After the entrusted loan contract expired, two sides signed anentrusted loan rollover contracton January 11th, 2016. The rollover period is 6 months, That is up on May 21st, 2016. The original contract loan stipulated the annual interest rate at 21%, while that in rollover contract is 24%.

21. Short-term borrowings

21.1Categories of short-term borrowings

Category	Closing Balance	Opening Balance
Pledged borrowings	30,090,000.00	130,000,000.00

Category	Closing Balance	Opening Balance
Mortgage borrowings	158,900,000.00	122,000,000.00
Guaranteed borrowings	2,339,000,000.00	2,105,000,000.00
Credit borrowings	40,000,000.00	200,000,000.00
Total	2,567,990,000.00	2,557,000,000.00

22. Notes payable

Category	Closing Balance	Opening Balance
Bank acceptances	1,925,480,000.00	1,738,800,000.00
Commercial acceptances		217,950,000.00
Domestic letter of credit	163,250,000.00	293,630,000.00
Total	2,088,730,000.00	2,250,380,000.00

23. Accounts payable

23.1Listof accounts payable

Item	Closing Balance	Opening Balance
	Amount	Amount
Within 1 year	1,299,581,572.46	418,260,961.75
1~2 years	294,698,259.34	271,857,672.98
2~3 years	45,698,747.19	23,573,635.08
3~4 years	9,094,468.29	3,076,058.44
4~5 years	288,559.26	80,216.00
More than 5 years	79,990.47	-
Total	1,649,441,597.01	716,848,544.25

23.1 Significant accounts payable aging over 1 year.

Item	Closing Balance	Reason for not being settled
Hangzhou Yingtianxia Construction Co., Ltd.	32,254,985.98	Not yet settled
Nantong Yuanpeng Construction & Installation Engineering Co., Ltd.	22,231,306.62	Not yet settled
Tianchang Tian Jian construction engineering Co., Ltd. Quanjiao branch	11,938,545.02	Not yet settled
Chuzhou City Jinhe Building Decoration	8,934,068.81	Not yet settled

Item	Closing Balance	Reason for not being settled
Engineering Co., Ltd (Anhui Jinpeng construction group Limited by Share Ltd)		
Li Peizhi	7,643,542.82	Not yet settled
Total	83,002,449.25	

24. Advance from customers

24.1 Presentation of advances from customers

Item	Closing Balance	Opening Balance
	Amount	Amount
Within 1 year	291,707,338.93	15,485,649.78
1~2 years	14,832,270.94	
Total	306,539,609.87	15,485,649.78

24.2 Advances longer than 1 year are for customized product prepayments.

Item	Closing Balance	Reason for not settled
Embassy of the people's Republic of China in Yemen	6,513,650.94	Stop and waiting for settled
Anyang Xintai Real Estate Development Co., Ltd.	3,670,000.00	To be started
Jiangsu Huihong international group corporation limited	3,151,620.00	To be started
Beijing Golden Branch Real Estate Co., Ltd.	1,497,000.00	To be started
Total	14,832,270.94	

25. Employee benefits payable

25.1 Employee benefits payable shown as follows:

Item	Opening Balance	Increase in Current Period	Decrease in Current Period	Closing Balance
Short-term benefits	532,067,822.72	3,498,915,787.89	3,199,031,075.31	831,952,535.30
Post-employment benefits--defined contribution plans	6,082,797.56	26,947,595.81	12,848,568.90	20,181,824.47
Termination benefits				
Other benefits due in 1 year				
Total	538,150,620.28	3,525,863,383.70	3,211,879,644.21	852,134,359.77

25.2 Short-term employee benefits payable shown as follows:

Item	Opening Balance	Increase in Current Period	Decrease in Current Period	Closing Balance
Wages, bonuses, allowances and grants	526,475,609.65	3,412,882,060.05	3,135,827,179.83	803,530,489.87
Employees' welfare		27,516,833.01	27,516,833.01	
Social insurance premiums	4,393,922.51	50,382,249.21	28,941,738.73	25,834,432.99
Including: Medical insurance premium	3,220,120.94	39,998,400.73	23,072,810.82	20,145,710.85
/ork-related injury insurance premium	832,891.79	7,895,678.10	4,369,989.66	4,358,580.23
Maternity insurance premium	340,909.78	2,488,170.38	1,498,938.25	1,330,141.91
Housing funds	953,109.94	6,205,938.19	4,932,884.89	2,226,163.24
Labor union expenditures and employee education funds	245,180.62	1,928,707.43	1,812,438.85	361,449.20
Short-term paid absences profit-sharing plan				
Short-term profit sharing plan				
Total	532,067,822.72	3,498,915,787.89	3,199,031,075.31	831,952,535.30

25.3 Defined Contribution Plan shown as follows:

Item	Opening Balance	Increase in Current Period	Decrease in Current Period	Closing Balance
Basic endowment insurance premium	4,113,508.35	16,055,266.98	9,897,767.94	10,271,007.39
Unemployment insurance premium	458,288.74	6,055,617.35	1,871,981.22	4,641,924.87
Enterprise annuity payment	1,511,000.47	4,836,711.48	1,078,819.74	5,268,892.21
Total	6,082,797.56	26,947,595.81	12,848,568.90	20,181,824.47

26. Taxes payables

Item	Closing Balance	Opening Balance
Value-added tax	1,291,581.63	162,720.37
Business tax	391,378,032.69	187,956,862.29
Enterprise income tax	291,040,422.57	128,357,669.33
Property tax	646,724.72	239,352.36
Land use tax	336,002.48	131,008.99

Item	Closing Balance	Opening Balance
Urban maintenance and construction tax	26,609,547.48	13,743,585.94
Educational surcharge	20,614,960.63	10,008,412.78
Stamp duty	-77,998.97	529,365.43
Comprehensive fund	3,984,077.93	1,249,621.83
Increment tax on land value	-910,020.46	-3,044,422.63
Withholding individual income tax	20,703,299.43	16,757,159.64
Others	5,382,773.04	3,243,073.24
Total	760,999,403.17	359,334,409.57

27. Interest payable

Item	Closing Balance	Opening Balance
Interest on corporate debenture	14,551,278.55	2,455,555.56
Installment interest on long-term borrowings whose principal paid when matures	2,174,761.98	1,492,028.75
Interest payable on short-term borrowings	3,816,005.41	4,738,127.77
Total	20,542,045.94	8,685,712.08

28. Dividends payable

Item	Closing Balance	Opening Balance
Dividends due to ordinary shareholders	22,150,936.00	14,750,936.00
Total	22,150,936.00	14,750,936.00

29. Other payables

29.1 Categories by nature

Item	Closing Balance	Opening Balance
Within 1 year	1,434,479,755.54	236,794,552.55
1~2 years	233,942,772.02	308,758,776.95
2~3 years	305,775,438.38	80,781,376.71
3~4 years	79,847,709.81	10,616,470.66
4~5 years	7,028,936.51	18,299,652.61
More than 5 years	17,516,009.51	
Total	2,078,590,621.77	655,250,829.48

29.2Other important payables aging more over 1 year

Item	Closing Balance	Reasons for Being Unpaid or Transferred
Enterprise income tax before liquidation	221,732,566.56	Not yet settled
Haimen Finance Bureau	26,200,000.00	Not yet settled
Haimen Dongrun Investment Management Co., Ltd	20,000,000.00	Not yet settled
Shanghai bingzhou Investment Management Co., Ltd	18,979,706.98	Not yet settled
Nantong Yuda Construction Services Co., Ltd	16,200,000.00	Not yet settled
Jiangsu ShengxiangTechnology Pioneering Park Co., Ltd	4,800,000.00	Not yet settled
Total	307,912,273.54	

30. Non-current liabilities due within one year

Item	Closing Balance	Opening Balance
Long-term borrowings due within one year	46,641,215.17	44,336,607.55
Total	46,641,215.17	44,336,607.55

31. Long-term borrowings

Item	Closing Balance	Opening Balance
Pledged borrowings	210,000,000.00	230,000,000.00
Guaranteed borrowings	454,556,030.76	122,580,705.38
Mortgage borrowings	311,000,000.00	411,000,000.00
Total	975,556,030.76	763,580,705.38

32. Bonds payable

32.1 Bonds payable exhibit by item

Item	Closing Balance	Opening Balance
Medium-term notes	694,747,067.93	198,266,649.55
Privately raised medium-sized and small enterprises bonds	99,292,714.62	
Total	794,039,782.55	198,266,649.55

32.2 Changes in bonds payable(excluding other financial tools like preferred stock categorized as financial liability or indefinite bonds)

Name of Bond	Nominal Value	Issuance Date	Bond Terms	Issuance Amount
Medium-term notes	200,000,000.00	2014.11.6	3 years	200,000,000.00
Medium-term notes	500,000,000.00	2015.9.15	3 years	500,000,000.00
Privately raised medium-sized and small enterprises bonds	100,000,000.00	2015.4.15	3 years	100,000,000.00
Total	800,000,000.00	/	/	800,000,000.00

(Continued)

Name of Bond	Opening Balance	New Issuance in current period	Issue cost	Interest at par	Amortization of premiums and discounts	Closing Balance
Medium-term notes	198,266,649.55		1,800,000.00	19,455,555.56	635,132.79	198,835,132.79
Medium-term notes		500,000,000.00	4,500,000.00	11,777,777.78	411,935.14	495,911,935.14
Privately raised medium-sized and small enterprises bonds		100,000,000.00	900,000.00	7,543,972.60	192,714.62	99,292,714.62
Total	198,266,649.55	600,000,000.00	7,200,000.00	38,777,305.94	1,239,782.55	794,039,782.55

33. Long-term payable

33.1 Long-term payable presented by nature

Item	Closing balance	Opening balance
Leaseback payables	52,287,630.16	
Total	52,287,630.16	

34. Share Capital (Unit: Share)

Shareholder name	2014/12/31		Current increase	Current decrease	2015/12/31	
	Investment amount	Proportion			Investment amount	Proportion
Haimen Urban Development Investment Co., Ltd.	60,000,000.00	11.97%		60,000,000.00		
Nantong Sanjian Trade	16,950,000.00	3.38%		16,950,000.00		

Shareholder name	2014/12/31		Current increase	Current decrease	2015/12/31	
	Investment amount	Proportion			Investment amount	Proportion
Union Committee						
NantongSanJian Hui Chuang Investment Management Center (general partnership)			23,260,000.00		23,260,000.00	4.64%
Nantong Sanjian Holdings Co., Ltd.			453,820,000.00		453,820,000.00	90.53%
Cai Diansheng	7,000,000.00	1.40%		7,000,000.00		
Cai Zhenghao			7,000,000.00		7,000,000.00	1.40%
Huang Songping	3,000,000.00	0.60%			3,000,000.00	0.60%
Xu Zhong	6,000,000.00	1.20%		6,000,000.00		
Zhang Zhong	2,000,000.00	0.40%		2,000,000.00		
Shi Shangao	2,000,000.00	0.40%		2,000,000.00		
Jiang Shaobing	2,000,000.00	0.40%		2,000,000.00		
Hua Zhihua	14,000,000.00	2.79%		14,000,000.00		
Xu Zhulin	34,000,000.00	6.78%		34,000,000.00		
Wu Xuebing	7,350,000.00	1.47%		7,350,000.00		
Wu Hongbo			2,400,000.00		2,400,000.00	0.48%
Feng Yonghong	2,300,000.00	0.46%		2,300,000.00		
Yuan Bei	6,000,000.00	1.20%		6,000,000.00		
Xu Ting	6,000,000.00	1.20%		6,000,000.00		
Gu Hongcai	2,000,000.00	0.40%			2,000,000.00	0.40%
Wang Yuda	4,000,000.00	0.80%	2,000,000.00		6,000,000.00	1.20%
Shi Yaxiang	4,000,000.00	0.80%		4,000,000.00		
Yu Yunzhong	6,400,000.00	1.28%		6,400,000.00		
Yuan Song	4,000,000.00	0.80%		4,000,000.00		
Lu Hongqiu	6,280,000.00	1.25%		2,480,000.00	3,800,000.00	0.76%
Zhang Fubing	6,000,000.00	1.20%		6,000,000.00		
Mao Huici	2,000,000.00	0.40%		2,000,000.00		
Zhu Rongguo	2,000,000.00	0.40%		2,000,000.00		
Li Huaping	4,000,000.00	0.80%		4,000,000.00		
Qin Qisheng	2,000,000.00	0.40%		2,000,000.00		
Zhou Bingao	60,000,000.00	11.97%		60,000,000.00		

Shareholder name	2014/12/31		Current increase	Current decrease	2015/12/31	
	Investment amount	Proportion			Investment amount	Proportion
Shi Hui	40,000,000.00	7.98%		40,000,000.00		
Ji Qiuye	50,000,000.00	9.97%		50,000,000.00		
Ying Jing	2,000,000.00	0.40%		2,000,000.00		
Lu Weizhong	5,000,000.00	1.00%		5,000,000.00		
Jiang Xingsheng	5,000,000.00	1.00%		5,000,000.00		
Zhang Xinzhong	2,000,000.00	0.40%		2,000,000.00		
Huang Yuhui	100,000,000.00	19.95%		100,000,000.00		
Wang Weichong	6,000,000.00	1.20%		6,000,000.00		
Ding Zhanshi	6,000,000.00	1.20%		6,000,000.00		
Li Yumei	6,000,000.00	1.20%		6,000,000.00		
Xu Xinrong	8,000,000.00	1.60%		8,000,000.00		
Total	501,280,000.00	100.00%	488,480,000.00	488,480,000.00	501,280,000.00	100.00%

On 30 December 2015, the resolution of the shareholders' meeting of the Company, agreed to transfer the equity by shareholders.

35. Capital reserves

Item	Opening Balance	Increase in Current Period[*]	Decrease in Current Period[**]	Closing Balance
Share premium				
Other capital reserves(note)	278,499.66			278,499.66
Total	278,499.66			278,499.66

(note)Acquisition of minority shareholders equity investment difference.

36. special reserves

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Safety production cost	80,792,774.62	350,279,595.95	335,515,031.98	95,557,338.59
Total	80,792,774.62	350,279,595.95	335,515,031.98	95,557,338.59

37. Surplus reserves

Item	Opening Balance	Increase in Current Period	Decrease in Current Period	Closing Balance
Statutory surplus reserves	331,105,245.72			331,105,245.72
Discretionary surplus reserves				

Item	Opening Balance	Increase in Current Period	Decrease in Current Period	Closing Balance
Reserve funds				
Venture expansion funds				
Total	331,105,245.72			331,105,245.72

38. Undistributed profit

Item	Closing Balance	Opening Balance
Undistributed profit before adjustment at the end of the last year	3,701,655,023.35	3,143,744,378.06
Adjustment in the total undistributed profit at the beginning of year [*]		
Undistributed profit after adjustment at the beginning of year	3,701,655,023.35	3,143,744,378.06
Plus: net profit attributable to owners of the parent company for the current period	736,640,731.33	656,554,681.29
Surplus reserves offsetting losses		
Less: Withdrawal of statutory surplus reserves		
Withdrawal of discretionary surplus reserves		
Withdrawal of general risk preparation	856,338.24	
Ordinary share dividends payable [**]	43,060,277.00	98,644,036.00
Conversion of ordinary share dividends into share capital		
Others		
Undistributed profit at the end of the period	4,394,379,139.44	3,701,655,023.35

39. Operating income and operating costs

Item	Current Period		Previous Period	
	Operating income	Operating cost	Operating income	Operating cost
Primary business	18,516,238,480.51	16,503,679,233.54	18,764,376,908.64	16,674,859,596.95
Other business	208,970,479.21	153,078,234.39	23,681,921.40	15,822,504.25
Total	18,725,208,959.72	16,656,757,467.93	18,788,058,830.04	16,690,682,101.20

Top five Companies with the largest balances of the operating income

Company name	Amount	Proportion in the total (%)
Zhongxin Construction Co., Ltd	414,759,999.45	2.21
Jimo Ding Tide Development and Construction Co., Ltd	350,000,000.00	1.87
Jiangsu Hongtai Real Estate Development Co., Ltd	283,784,895.00	1.51
Shanghai Yi Bang Property Co., Ltd	250,445,000.00	1.34
Hangzhou Yuhang Oaks gudun Property Co., Ltd	239,519,184.00	1.28
Total	1,538,509,078.45	8.21

40. Business taxes and surcharges

Item	Current Period	Previous Period
Business tax	559,180,256.10	544,905,100.83
Urban maintenance and construction tax	38,688,457.18	37,648,827.47
Educational surcharge	28,121,989.30	26,713,960.52
Comprehensive fund	1,663,774.24	616,133.80
Increment tax on land value	2,035,003.52	
Other	8,541,299.91	4,305,688.73
Total	638,230,780.25	614,189,711.35

41. Selling and distribution expenses

Item	Current Period	Previous Period
Payroll	1,961,216.22	261,171.02
Advertising fees	3,821,615.32	1,645,822.80
Shipping fee	471,382.86	7,028,901.14
Hospitality fee	706,089.13	6,168.00
Depreciation for sales department	74,121.17	
Rental fee	1,307,000.00	1,007,650.00
Other expenses	2,626,573.66	1,121,204.50
Total	10,967,998.36	11,070,917.46

42. General and administrative expenses

Item	Current Period	Previous Period
Taxes	3,251,250.66	7,276,276.18
Company overhead expenditure	241,335,364.84	241,302,832.70
Trade union fee	70,000.00	435,000.00
Intermediaries fee	1,836,000.00	1,649,200.00

Item	Current Period	Previous Period
Consulting fee (Including consultant fee)	9,949,508.59	1,988,394.12
Hospitality fee	18,127,652.42	45,357,709.89
Litigation fee	744,116.37	1,689,312.29
Total	275,313,892.88	299,698,725.18

43. Financial expenses

Item	Current Period	Previous Period
Interest expenses	172,443,841.41	177,836,568.94
Less: Interest income	67,699,606.27	48,964,155.27
Plus: Losses from currency exchange	-166,906.45	196,512.56
Bank charges	10,709,026.37	4,987,376.76
Note discounting charges	86,217,461.92	87,868,114.76
Cash discount		
Others	6,998,769.00	4,608,977.34
Total	208,502,585.98	226,533,395.09

44. Impairment losses

Item	Current Period	Previous Period
Bad debts loss	-69,024,717.42	101,787,647.45
Loan loss	3,211,268.39	
Total	-65,813,449.03	101,787,647.45

45. Gains or losses of fair value changes

Origins of gains or losses of fair value changes	Current Period	Previous Period
Financial assets measured at fair value and changes through current profit or losses	-467,786.28	331,691.43
Including: Gains or losses of fair value changes arising from derivative financial instruments		
Total	-467,786.28	331,691.43

46. Investment income

Item	Current Period	Previous Period
Investment income from long-term equity investments under the equity method	527,019.18	-2,132,483.65
Investment income gained during the period of holding the available-for-sale financial assets and others	5,000,000.00	4,400,000.00
Investment income from disposing long-term equity investments		-70,104.46

Item	Current Period	Previous Period
Investment income gained during the period of holding financial assets measured at fair value and changes through current profit or losses	2,293.23	5.24
Others	10,875,259.69	28,599,845.40
Total	16,404,572.10	30,797,262.53

47. Non-operating income

Item	Current Period	Previous Period	The amount included in the extraordinary gains and losses of the current period	The amount included in the extraordinary gains and losses of the Previous Period
Sub-total of gains from disposal of non-current assets	434,970.85	7,526,624.65	434,970.85	7,526,624.65
Including: Gains from disposal of fixed assets		7,526,624.65		7,526,624.65
Gains from disposal of intangible assets	434,970.85		434,970.85	
Gains from debt restructuring				
Government grants [*]	380,800.00	610,000.00	380,800.00	610,000.00
Net amercement income				
Liquidated damages				
Others	3,697,675.10	216,878.68	3,697,675.10	216,878.68
Receiving donations				
Gains from stock counting				
Gains from business combination not under common control		11,464,117.56		11,464,117.56
Total	4,513,445.95	19,817,620.89	4,513,445.95	19,817,620.89

48. Non-Operating Expenses

Item	Current Period Amount	Previous Period Amount	The Amount Included in Extraordinary Gains & Losses in Current Period	The Amount Included in Extraordinary Gains & Losses in Previous Period
Sub-total of Losses from Disposal of Non-Current Asset	923,557.45	1,352,603.55	923,557.45	1,352,603.55
Including: Losses from Disposal of Fixed Assets	923,557.45	1,352,603.55	923,557.45	1,352,603.55
Losses from Disposal of Intangible Assets				

Item	Current Period Amount	Previous Period Amount	The Amount Included in Extraordinary Gains & Losses in Current Period	The Amount Included in Extraordinary Gains & Losses in Previous Period
Losses from Debt Restructuring				
Integrated Funds				
Donation expenses	136,800.00	99,000.00	136,800.00	99,000.00
Other	3,981,218.72	4,050,289.26	3,981,218.72	4,050,289.26
Total	5,041,576.17	5,501,892.81	5,041,576.17	5,501,892.81

49. Income Tax Expense

49.1 Statement of Income tax Expense

Item	Current Period Amount	Previous Period Amount
Current Period Income Tax	277,411,203.41	239,988,698.32
Deferred Income Tax	18,551,567.17	-8,730,781.35
Total	295,962,770.58	231,257,916.97

50. Consolidated Cash Flow Items

50.1 Cash Received from Other Operation Activities

Item	Current Period Amount	Previous period Amount
Bank deposit and interest income	42,446,662.16	35,968,926.85
government grants ,non-operating income	4,078,475.10	826,878.68
Cash received from deposit	207,262,944.30	27,122,999.98
Other fund intercourse	1,614,858,611.01	21,857,985.07
Total	1,868,646,692.57	85,776,790.58

50.2 Cash Paid for Other Operating Activities

Item	Current Period Amount	Previous Period Amount
Other expenses paid in the selling and distribution expenses	8,932,660.97	11,070,917.46
Other expenses paid in the general and administrative expenses	152,539,960.46	182,277,145.39
Bank charges and other financial expenses	17,707,795.37	9,596,354.10
Cash Paid from deposit	244,764,442.23	805,408,871.46
Donation and other non-operating expenses	4,118,018.72	4,149,289.26
Other fund intercourse	17,697,667.26	460,185,746.63
Total	445,760,545.01	1,472,688,324.30

50.3Cash Received from Other Investing Activities

Item	Current Period Amount	Previous Period Amount
Cash Received from inter-firm lending		40,521,398.41
Total		40,521,398.41

50.4Cash Paid for Other Investing Activities

Item	Current Period Amount	Previous Period Amount
Cash Paid for inter-firm lending	206,134,393.75	
Total	206,134,393.75	

50.5Cash Paid for Other Financing Activities

Item	Current Period Amount	Previous Period Amount
Nominal finance leasing fee		1,950,000.00
Guarantee fee	1,902,000.00	1,494,000.00
Frozen deposits	91,931.30	
Letter of Guarantee deposit	857.92	
Total	1,994,789.22	3,444,000.00

51. Supplementary Information to Consolidated Statement of Cash Flow

51.1SupplementaryInformation to Consolidated Statement of Cash Flow

Item	Current Period Amount	Previous Period Amount
1. Reconciliation of net profit to cash flow from operating activities		
Net Profit	740,092,072.72	658,283,097.38
Add: Provision for Asset Impairment	-65,813,449.03	101,787,647.45
Depreciation of Fixed Asset, Oil & Gas Assets and Productive Biological Assets	63,242,116.69	130,628,830.31
Amortization of Intangible Assets	961,131.10	1,278,649.48
Amortization of Long-Term Deferred Expenses	1,860,277.66	776,715.00
Losses from Disposal of Fixed Assets, Intangible Assets and Other Long-Term Assets	-434,970.85	-7,526,624.65
Losses on Write-off of Fixed Assets	923,557.45	1,352,603.55
Losses from Changes in Fair Value	467,786.28	-331,691.43
Financial Expenses	258,494,396.88	265,901,196.26

Item	Current Period Amount	Previous Period Amount
Losses on Investments	-16,404,572.10	-30,797,262.53
Decrease in Deferred Tax Asset	19,596,211.54	-6,549,559.73
Increase in Deferred Tax Liabilities	-1,044,644.37	-2,181,221.62
Decrease in Inventory	-4,233,173,104.76	-127,420,566.50
Decrease in Operation Receivables	-186,831,662.43	-2,114,928,673.79
Increase in Operation Payables	3,200,985,538.23	697,789,175.87
Other		
Net Cash Flow from Operating Activities	-217,079,314.98	-431,937,684.95
2. Significant Investing and Financing Activities not Involving Cash Flow:		
Conversion of Debt into Capital		
Convertible Bonds Maturing within 1 Year		
Fixed Assets Acquired under Financial Lease		
3. Net Change in Cash & Cash Equivalents		
Closing Balance of Cash	1,150,724,613.40	981,739,160.70
Less: Opening Balance of Cash	981,739,160.70	841,441,990.75
Add: Closing Balance of Cash Equivalent		
Less: Opening Balance of Cash Equivalents		
Net Change in Cash and Cash Equivalents	168,985,452.70	140,297,169.95

51.2 Net Cash Paid during Current Period for Subsidiaries' Acquisitions

Item	Amount
Cash & Cash Equivalents Paid for Business Combinations during Current Period	103,958,000.00
Including: Nantong Yuheng Real Estate Co., Ltd.	85,000,000.00
Tianjin Yu Hai Housing Leasing Co., Ltd.	18,958,000.00

Item	Amount
Less: Cash & Cash Equivalents Held by Subsidiaries at Purchase date	8,179,367.93
Including: Nantong Yuheng Real Estate Co., Ltd.	8,026,372.60
Tianjin Yu Hai Housing Leasing Co., Ltd.	152,995.33
Add: Cash & Cash Equivalents Paid for Business Combinations during Previous Period	
Including: Nantong Yuheng Real Estate Co., Ltd.	
Tianjin Yu Hai Housing Leasing Co., Ltd.	
Net Cash paid for Subsidiaries' Acquisitions	95,778,632.07

51.3Net cash received during Current Period from disposing Subsidiaries

Item	Amount
Cash & Cash Equivalents Paid for Business Combinations during Current Period	527,500,000.00
Including: Beijing Hongtai Xinghua Trade LLC	
Arch-Harmony Architecture Design Co., Ltd	21,000,000.00
Anhui Province Luwang Traffic Construction Group Corporation Limited	469,000,000.00
Changshu Changhe Real Estate Co., Ltd.	37,500,000.00
Less: Cash & Cash Equivalents Held by Subsidiaries at Purchase date	183,684,691.66
Including: Beijing Hongtai Xinghua Trade LLC	5,137.76
Arch-Harmony Architecture Design	3,912,541.41
Anhui Province Luwang Traffic Construction Group Corporation Limited.	168,412,015.26
Changshu Changhe Real Estate Co., Ltd.	11,354,997.23
Less: Cash & Cash Equivalents Received from Subsidiaries at Purchase date	506,500,000.00
Including: Beijing Hongtai Xinghua Trade LLC	
Arch-Harmony Architecture Design Co., Ltd	
Anhui Province Luwang Traffic Construction Group Corporation Limited	469,000,000.00
Changshu Changhe Real Estate Co., Ltd.	37,500,000.00
Add: Cash & Cash Equivalents Paid for Business Combinations during	9,800,000.00

Item	Amount
Previous Period	
Including: Beijing Hongtai Xinghua Trade LLC	9,800,000.00
Arch-Harmony Architecture Design Co., Ltd	
Anhui Province Luwang Traffic Construction Group Corporation Limited.	
Changshu Changhe Real Estate Co., Ltd.	
Net cash Received from disposing subsidiaries	-152,884,691.66

51.4Composition of Cash & Cash Equivalent

Item	Closing Balance	Beginning Balance
1. Cash	1,150,724,613.40	981,739,160.70
Including: Cash On Hand	38,809,970.58	12,683,008.18
Unrestricted Bank Deposit	1,111,914,642.82	969,056,152.52
Other Unrestricted Cash & Cash Equivalents		
Restricted Deposits in Central Bank		
Inter-Bank Deposits		
Inter-Bank Offers		
2. Cash Equivalents		
Including: Bond Investment Maturing within 3 Months		
3. Closing Balance of Cash & Cash Equivalents	1,150,724,613.40	981,739,160.70

52. Assets with Restricted Ownership or Use Rights

Item	Closing Book Balance	Reason for Restriction
Cash & Cash Equivalents	1,266,406,626.80	Bank acceptance bill deposit、Letter of Guarantee deposit、Mortgage loan .frozen deposit
Inventories	64,509,795.88	After sale leaseback
Long term equity investment	354,751,737.35	The company will hold a subsidiary of Anhui Road Network Construction Group Co., Ltd. 55% stake pledged to CITIC Trust LLC, made a loan of CNY 210 million
Fixed assets	26,887,876.95	Mortgage loan
Intangible assets	24,587,687.56	Mortgage loan
Total	1,737,143,724.54	

53. Foreign Currency Transactions

53.1 Foreign Currency Transactions

Item	Closing Balance in Foreign Currency	Exchange Rate	Closing Balance in CNY
Cash & Cash Equivalents			17,068,339.79
Including: USD	2,612,068.61	6.4932	16,960,607.30
EUR	2.46	7.0935	17.45
AOA	101,790.68	0.0684	6,964.99
MWK	117,107.34	0.5909	69,194.56
IRR	1,044,787.23	0.0302	31,555.49

VI. Changes in Consolidated Scope

1. Business Combination not under common Control

1.1 Business Combination not under Common Control during Current Period

Acquiree's name	Time point of acquiring share holdings	Cost of acquiring share holdings	Proportions of acquiring share holdings (%)	Ways of acquiring share holdings	Acquisition date	Basis of determining acquisition date	Acquiree's revenue from acquisition date to period end	Acquiree's net profit from acquisition date to period end
Nantong YuHeng Real Estate Co., Ltd.	Rugao Jiangsu	85 million CNY	85	Increase their Investment	2015.4.1	Purchase agreement		-1,431,673.56
Tianjin Yu Hai Housing Leasing Co., Ltd.	Tianjin	18.9580 million CNY	100	Shares Transfer	2015.1.1	Purchase agreement	300,000.00	-212,136.75

1.2 Combination cost and goodwill

Combination cost	Nantong Yuheng real estate Co., Ltd.	Tianjin Yuhai Housing Leasing Co., Ltd.
--Cash	85,000,000.00	18,958,000.00
--Fair value of non-monetary assets		
-- Fair value of issuing or bearing liabilities		
-- Fair value of issuing equity securities		
-- Fair value of contingent considerations		
-- Fair value of share-holdings held before acquisition date at acquisition date		
--Others		
Total of combination cost	85,000,000.00	18,958,000.00
Less: Proportion of fair value of net identifiable assets acquired	83,807,355.77	9,298,349.99
The amount of goodwill/combination cos less than fair value of net identifiable assets acquired	1,192,644.23	9,659,650.01

1.3 Identifiable assets and liabilities of acquires at the date of acquisition date

Item	Nantong Yuheng real estate Co., Ltd.	Tianjin Yuhai Housing Leasing Co., Ltd.

	Fair value at the acquisition date	Book value at the acquisition date	Fair value at the acquisition date	Book value at the acquisition date
Assets:	328,734,281.09	330,136,506.55	10,399,595.33	6,001,795.33
Bank and cash	8,026,372.60	8,026,372.60	152,995.33	152,995.33
Account receivables			38,800.00	38,800.00
Inventory	320,240,500.00	322,110,133.95		
Investment real estate			10,207,800.00	5,810,000.00
Intangible assets				
Deferred tax assets	467,408.49			
Liabilities:	230,137,391.95	230,137,391.95	1,101,245.34	1,795.34
Borrowings				
Account payables	230,137,391.95	230,137,391.95	1,795.34	1,795.34
Deferred tax liabilities			1,099,450.00	
Net assets	98,596,889.14	99,999,114.60	9,298,349.99	5,999,999.99
Less: Non-controlling interests	14,789,533.37	14,999,867.19		
Net assets acquired	83,807,355.77	84,999,247.41	9,298,349.99	5,999,999.99

1.4 Business Combination not under Common Control during Previous Period

Acquiree's name	Time point of acquiring share holdings	Cost of acquiring share holdings	Proportions of acquiring share holdings (%)	Ways of acquiring share holdings	Acquisition date	Basis of determining acquisition date	Acquiree's revenue from acquisition date to period end	Acquiree's net profit from acquisition date to period end
Beijing Hongtai XingHua Economic And Trade LLC	2013.12.31	83,880,000.00	100.00	Increase their investment Shares transfer	2013.12.31	Purchase agreement		-7,612,132.83
Arch-Harmony Architecure Design Co., Ltd	2014.3.31	21,000,000.00	60.00	Shares transfer	2014.3.31	Purchase agreement	20,615,599.56	1,248,334.20
Anhui Province Luwang Traffic Construction Group Corporation Limited	2013.12.31	469,000,000.00	55.00	Increase their investment	2013.12.31	Purchase agreement	502,027,404.76	9,846,625.70
Changshu Changhe Real Estate Co., Ltd.	2014.7.31	37,500,000.00	60.00	Increase their investment Shares transfer	2014.7.31	Purchase agreement		-1,098,506.88

1.5 Combination cost and goodwill

Combination cost	Beijing HongTai XingHua Economic And Trade Limited Liability Company	ARCH-HARMONY ARCHITECTURE DESIGN	Anhui Province Luwang Traffic Construction Group Corporation Limited	Changshu Changhe Real Estate Co.,Ltd.
--Cash	83,880,000.00	21,000,000.00	469,000,000.00	37,500,000.00

Combination cost	Beijing HongTai XingHua Economic And Trade Limited Liability Company	ARCH-HARMONY ARCHITECTURE DESIGN	Anhui Province Luwang Traffic Construction Group Corporation Limited	Changshu Changhe Real Estate Co.,Ltd.
--Fair value of non-monetary assets				
-- Fair value of issuing or bearing liabilities				
-- Fair value of issuing equity securities				
-- Fair value of contingent considerations				
-- Fair value of share-holdings held before acquisition date at acquisition date				
--Others				
Total of combination cost	83,880,000.00	21,000,000.00	469,000,000.00	37,500,000.00
Less : Proportion of fair value of net identifiable assets acquired	80,223,096.79	2,846,251.35	328,380,849.21	48,964,117.56
The amount of goodwill/combination cos less than fair value of net identifiable assets acquired	3,656,903.21	18,153,748.65	140,619,150.79	-11,464,117.56

1.6 Identifiable assets and liabilities of acquires at the date of acquisition date

Item	Beijing HongTai XingHua Economic And Trade LLC		ARCH-HARMONY ARCHITECTURE DESIGN Co., Ltd	
	Fair value at the acquisition date	Book value at the acquisition date	Fair value at the acquisition date	Book value at the acquisition date
Assets:	97,534,046.97	103,456,082.44	10,874,899.40	12,163,797.11
Bank and cash	5,137.76		3,912,541.41	3,664,641.41
Account receivables		80,764,997.51	5,361,010.00	7,036,010.00
Inventory	556,685.66	556,685.66		
Fixed assets	85,916,131.09	16,905,601.81	545,120.00	920,850.28
Intangible assets			54,804.42	54,804.42
Liabilities:	17,310,950.18	41,822,605.24	6,131,147.15	6,112,115.07
Account payables		42,008,299.91	4,770,904.25	4,765,904.25
Deferred tax liabilities	17,252,632.32			
Net assets	80,223,096.79	61,633,477.20	4,743,752.25	6,051,682.04
Less: Non-controlling interests			1,897,500.90	2,420,672.82
Net assets acquired	80,223,096.79	61,633,477.20	2,846,251.35	3,631,009.22

Item	Anhui Province Luwang Traffic Construction Group Corporation Limited		Changshu Changhe Real Estate Co.,Ltd.	
	Fair value at the acquisition date	Book value at the acquisition date	Fair value at the acquisition date	Book value at the acquisition date
Assets:	1,000,741,671.30	992,504,700.68	194,832,731.29	166,756,013.60
Bank and cash	162,490,809.72	162,490,809.72	11,354,997.23	11,354,997.23
Account receivables	344,147,494.26	344,147,494.26	35,458,434.06	31,958,434.06

Item	Anhui Province Luwang Traffic Construction Group Corporation Limited		Changshu Changhe Real Estate Co.,Ltd.	
	Fair value at the acquisition date	Book value at the acquisition date	Fair value at the acquisition date	Book value at the acquisition date
Inventory	92,653,566.77	92,653,566.77	136,723,748.75	123,324,200.18
Fixed assets	11,656,691.20	8,236,970.62	110,400.00	118,382.13
Liabilities:	872,302,698.90	872,302,698.90	150,725,868.69	143,704,693.73
Borrowings	309,500,000.00	309,500,000.00		
Account payables	255,060,833.24	255,060,833.24	143,698,657.23	143,698,657.23
Deferred tax liabilities	854,930.15		7,021,174.96	
Net assets	128,438,972.41	120,202,001.78	44,106,862.60	23,051,319.87
Less: Non-controlling interests	-199,941,876.80	382,882.94	-4,857,254.96	
Net assets acquired	328,380,849.21	119,819,118.84	48,964,117.56	23,051,319.87

2. Consolidated Scope Changes Due to Other Reasons

1. Consolidated Scope Changes Due to Other Reasons in 2015

Name of the merged party	Time point of acquiring	Registered capital	Percentage of disposing equity shares (%)	Way of disposing equity shares
JianYiTong (Beijing)International Business Co., Ltd	28th January 2015	60 million CNY	60.00	New Set
Haimen Sanjian Rural Microfinance Co., Ltd.	12th May 2015	80 million CNY	40.00	New Set
Shanghai Hongmai Real Estate Co., Ltd.	13th July 2015	8 million CNY	60.00	New Set

2. Consolidated Scope Changes Due to Other Reasons in 2014

Name of the merged party	Time point of acquiring	registered capital	Percentage of disposing equity shares (%)	Way of disposing equity shares
Nantong Sanjian Construction General Contractor Co., Ltd	29th May 2014	20 million CNY	100.00	New Set
Jiangsu Nantong Sanjian Group Changchun Construction Engineering Co., Ltd	2th April 2014	6 million CNY	100.00	New Set
Zhuhai Jianrong Investment Holding Co., Ltd	2th December 2014	18 million CNY	36.00	New Set
Zhuke Network Technology (Shanghai) Co., Ltd.	24th September 2014	2,550,000.00	52.00	New Set

VII. Interests in Other Entities

1. Interests in Subsidiaries

1.1. Group Composition:

Name of Subsidiary	Operation Site	Registration Place	Business Nature	Share-holding Ratio (%)	Acquisition Manner

				Direct	Indirect	
Nantong Sanjian Construction Services Co., Ltd.	Haimen, Jiangsu	Haimen, Jiangsu	Building services	100		Establishment
Jiangsu Nantong Sanjian real estate development Co., Ltd.	Haimen, Jiangsu	Haimen, Jiangsu	Real estate development	20	80.00	Establishment
Jiangsu Nantong Sanjian construction Overseas Labor Service Co., Ltd.	Haimen, Jiangsu	Haimen, Jiangsu	Building services	100		Establishment
Nantong Chen Yu Kun Investment Co., Ltd	Haimen, Jiangsu	Haimen, Jiangsu	Project investment	100		Establishment
Jiangsu Nantong Sanjian construction equipment installation engineering Co., Ltd.	Haimen, Jiangsu	Haimen, Jiangsu	Equipment installation	60		Establishment
Shanghai Puzheng Architectural Design Co., Ltd.	Shanghai	Shanghai	Architectural engineering design	100		Establishment
Huaian Dongqi Real Estate Co., Ltd.	Huaian, Jiangsu	Huaian, Jiangsu	Real estate development	100		Establishment
Jiangsu haiyu International Trade Co. Ltd.	Haimen, Jiangsu	Haimen, Jiangsu	International Trade	48		Share transfer
Nantong Sanjian construction Asset Management Co., Ltd.	Haimen, Jiangsu	Haimen, Jiangsu	Engineering management	97.5		Establishment
Wuhu huafu Construction & Installation Co., Ltd.	Wuhu, Anhui	Wuhu, Anhui	Building construction	100		Establishment
Jiangsu Nantong Sanjian construction group Shenyang Construction Co., Ltd.	Shenyang, Liaoning	Shenyang, Liaoning	Building construction	100		Establishment
Jiangsu Nantong Sanjian construction group Dalian Construction Engineering Co., Ltd.	Dalian, Liaoning	Dalian, Liaoning	Building construction	100		Establishment
Beijing Hongtai Xinghua trade LLC	Beijing	Beijing	Building materials trade, etc.	100		Share transfer
Nantong Sanjian construction General Contracting Co., Ltd.	Haimen, Jiangsu	Haimen, Jiangsu	Architectural Engineering	100		Establishment
ARCH-HARMONY ARCHITECTURE DESIGN Co., Ltd.	Beijing	Beijing	Architectural design consultation	60		Share transfer
Anhui Province Luwang Traffic Construction Group Corporation Limited	Anhui	Anhui	Road network construction project	55		Establishment
Jiangsu Nantong Sanjian construction group Changchun Construction Engineering Co., Ltd.	Changchun, Jilin	Changchun, Jilin	Building construction	100		Establishment
Zhuke network technology (Shanghai) Co., Ltd. [Note 1]	Shanghai	Shanghai	Network technology development	36		Establishment
Zhuhai Jianrong Investment Holdings Co. ,Ltd. [Note 2]	Zhuhai, Guangdong	Zhuhai, Guangdong	Investment Development	36		Establishment
Changshu Changhe Real Estate Co., Ltd.	Changshu, Jiangsu	Changshu, Jiangsu	Real estate development	60		Share transfer
Jianyitong (Beijing) International Business Co., Ltd.	Beijing	Beijing	Merchandise trade	60		Establishment
Haimen Sanjian Rural Microfinance Co., Ltd.	Haimen, Jiangsu	Haimen, Jiangsu	Rural microfinance	40		Establishment

Name of Subsidiary	Operation Site	Registration Place	Business Nature	Share-holding Ratio (%)		Acquisition Manner
				Direct	Indirect	
Shanghai Hongmai Real Estate Co., Ltd.	Shanghai	Shanghai	Real estate development	60		Establishment
Nantong yuheng real estate Co., Ltd.	Rugao, Jiangsu	Rugao, Jiangsu	Real estate development	85		Share transfer
Tianjin Yu Hai Housing Leasing Co., Ltd.	Tianjin	Tianjin	Lease of houses	100		Share transfer

【Note 1】Zhuke network technology (Shanghai) Co., Ltd. The Company and senior management of the company hold its stakes, respectively are 36% and 10%. Nantong Yun Lida Investment Management Center (General Partnership) holds 35% stakes of Zhuke (the senior management of the Company is the partner of Yun Lida). So Zhuke network technology (Shanghai) Co., Ltd. that is incorporated into the scope of the company's consolidated financial statements.

[Note 2] Zhuhai Jianrong Investment Holdings Co., Ltd.The company holds its 36% stakesand the senior management of the Company holds22.2% stakes of Jianrong,the cross shareholding ratio is more than 51%, furthermore, the company possess the substantial control on Jianrong. So Zhuhai Jianrong Investment Holdings Co., Ltd. that is incorporated into the scope of the company's consolidated financial statements

1.2. Important Non-Wholly-Owned Subsidiaries

A,Important Non-Wholly-Owned Subsidiaries in 2015

Name of Subsidiary	Proportion of Share Holdings of Non-Controlling Shareholders	Gains & Losses Attribute to Non-Controlling Shareholders during Current Period	Dividends Paid to Non-Controlling Shareholders during Current Period	Closing Balance of Non-Controlling Shareholders Interests
Jiangsu Haiyu International Trade Co. Ltd.	52%	-1,260,649.12		26,908,255.27
Zhuhai Jianrong Investment Holdings Co., Ltd.	64%	-5,743,722.98		24,642,418.88
Anhui Province Luwang Traffic Construction Group Corporation Limited	45%	10,451,488.80		290,299,475.03
Haimen Sanjian Rural Microfinance Co., Ltd.	60%	5,949,038.37		125,949,038.37
Jianyitong (Beijing) International Business Co., Ltd.	40%	-956,817.07		39,043,182.93

b, Important Non-Wholly-Owned Subsidiaries in 2014

Name of Subsidiary	Proportion of Share Holdings of Non-Controlling Shareholders	Gains & Losses Attribute to Non-Controlling Shareholders during Current Period	Dividends Paid to Non-Controlling Shareholders during Current Period	Closing Balance of Non-Controlling Shareholders Interests
Jiangsu haiyu International Trade Co. Ltd.	51%	805,217.75		27,627,194.69
Zhuhai Jianrong Investment Holdings Co., Ltd.	64%	-1,613,858.14		30,386,141.86

Anhui Province Luwang Traffic Construction Group Corporation Limited	45%	4,323,633.39		276,286,910.11

Statement for that the proportion of shareholding of the non-controlling shareholders of the subsidiary is different from the proportion of voting rights:

A, The Company holds a 48% stake of Jiangsu Haiyu International Trade Co., Ltd. and the senior management of the Company is the legal representative of Jiangsu Haiyu International Trade Co., Ltd

B、The Company holds a 48% stake of Zhuhai Jianrong Investment Holdings Co., Ltd. and the senior management of the Company holds a 22.2% stake of Zhuhai Jianrong Investment Holdings Co., Ltd

C、The Company holds a 40% stake of Haimen Sanjian Rural Microfinance Co., Ltd. and the senior management of the Company is the legal representative of Haimen Sanjian Rural Microfinance Co., Ltd.

1.3. Major Financial Information of Important Non-Wholly-Owned Subsidiaries

Item	2015/12/31/2015 year			2014/12/31/2014year		
	Jiangsu haiyu International Trade Co. Ltd	Zhuhai Jianrong Investment Holdings Co., Ltd.	Anhui Province Luwang Traffic Construction Group Corporation Limited	Jiangsu haiyu International Trade Co. Ltd	Zhuhai Jianrong Investment Holdings Co., Ltd.	Anhui Province Luwang Traffic Construction Group Corporation Limited
Current Asset	843,453,730.72	466,628,389.59	1,000,709,434.66	771,699,610.55	152,545,626.83	739,081,410.86
Non-Current Asset	3,074,533.49	203,631,654.17	356,321,155.72	1,380,182.80	1,174,793.00	434,484,526.64
Total Asset	846,528,264.21	670,260,043.76	1,357,030,590.38	773,079,793.35	153,720,419.83	1,173,565,937.50
Current Liability	794,781,619.46	631,756,264.26	551,216,039.01	718,908,823.37	106,242,073.18	530,377,926.47
Non-Current Liability			160,763,338.98			29,029,395.24
Total Liability	794,781,619.46	631,756,264.26	711,979,377.99	718,908,823.37	106,242,073.18	559,407,321.71
Operating Income	783,976,000.58	43,424,854.33	601,857,522.57	1,093,593,722.58	1,812,330.10	502,027,404.76
Net Profit	-2,424,325.23	-8,974,567.15	22,979,094.12	1,578,858.33	-2,521,653.35	9,846,625.70
Total Comprehensive Income	-2,424,325.23	-8,974,567.15	22,979,094.12	1,578,858.33	-2,521,653.35	9,846,625.70
Operating Cash Flow	-35,658,008.08	200,086,758.93	-147,292,409.89	177,607,747.22	-46,814,580.17	-279,594,171.14

Item	2015/12/31/2015 year		2014/12/31/2014year	
	Haimen Sanjian Rural Microfinance Co., Ltd.	Jianyitong (Beijing) International Business Co., Ltd.	Haimen Sanjian Rural Microfinance Co., Ltd.	Jianyitong (Beijing) International Business Co., Ltd.
Current Asset	2,345,278.24	153,647,853.31		
Non-Current Asset	211,567,980.67	657,513.66		
Total Asset	213,913,258.91	154,305,366.97		

Item	2015/12/31/2015 year		2014/12/31/2014year	
	Haimen Sanjian Rural Microfinance Co., Ltd.	Jianyitong (Beijing) International Business Co., Ltd.	Haimen Sanjian Rural Microfinance Co., Ltd.	Jianyitong (Beijing) International Business Co., Ltd.
Current Liability	3,998,194.96	56,697,409.65		
Non-Current Liability				
Total Liability	3,998,194.96	56,697,409.65		
Operating Income	19,398,317.36	25,658,089.95		
Net Profit	9,915,063.95	-2,392,042.68		
Total Comprehensive Income	9,915,063.95	-2,392,042.68		
Operating Cash Flow	-199,046,516.20	-103,552,083.58		

VIII. Related Parties and Related Transactions

1. The Parent Company of the Company

Parent Company	Registration Place	Business Nature	Registered Capital	Shareholding Proportion by the Parent Company (%)	Voting rights Proportion by the Parent Company	Ultimate Controller of the Company
Nantong Sanjian Holdings Co., Ltd.	Jiangsu Province Haimen	Industrial investment and management	453 million 820 thousand	90.53	90.53	Nantong Sanjian Holdings Co., Ltd.

The description of the parent company of the Company: The parent company of the Company Nantong Sanjian Holding Co., Ltd. was established on December 29, 2015. Legal representative: Huang Yuhui. The scope of business: industrial investment; investment and asset management; investment information consultation.

2. Subsidiaries of the Company:

For details please see Note Ⅶ.1.

3. Joint Venture and Associate of the Company

Other joint ventures or associates that have related party transactions with the Company in the current period or in the previous period and result in balance are as follows:

Name of joint ventures or associate	Principal place of business	Registration Place	Registered Capital	Business Nature	Shareholding ratio (%)		Accounting methods for investment in an associated enterprise
					Direct	Indirect	
Qingdao Tianxin Real Estate Co. Ltd.	Qingdao Shandong	Qingdao Shandong	100 million	Real estate development	49		The accounting of equity returns by equity method
Shenzhen ZhukeYunfu Technology Co.,Ltd	Shenzhen Guangdong	Shenzhen Guangdong	5 million	Technology services	35		The accounting of equity returns by equity method

4. Other Related Party of the Company

Name of Other Related Party	Relationship with the Company
Nantong SanJian Hui Chong Investment Management Center (general partnership)	Shareholders
Haimen Urban Development Investment Co., Ltd.	The company hold a 11.97% stake before the Company changes its shareholding registration
Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd	Equity investment
Jiangsu Nantong Sanjian Building Decoration Co., Ltd	Equity investment
Jin Hao (Hefei) Construction Development Co., Ltd.	Equity investment
Jiangsu Haimen rural commercial bank Limited by Share Ltd	Equity investment
Jiangsu Haimen Jianxin Village Bank Co., Ltd.	Equity investment
Zhongjihua (Zhangjiakou) commercial network real estate development Co., Ltd.	Investment, not participate in management, hold 51% income distribution rights
Nantong Yucheng Construction Co., Ltd.	Associated with senior management of our company
HaoJia Hengye Construction Development Co., Ltd.	Associated with senior management of our company
Jiangsu xin lu da Construction Co., Ltd.	Associated with senior management of our company
Jiangsu Jiangzhou Construction Development Co., Ltd.	Associated with senior management of our company
Nantong Jin huang hai Real Estate Co., Ltd.	Associated with senior management of our company
China Nantong three construction	Associated with senior management of our company
Nantong far Peng building installation engineering Co., Ltd.	Associated with senior management of our company
Nantong Yuda Building Services Ltd.	Associated with senior management of our company
Huang Yuhui	hold a 19.95% stake before the Company changes its shareholding registration
Zhou Binggao	hold a 11.97% stake before the Company changes its shareholding registration
Ji Qiuye	hold a 9.97% stake before the Company changes its shareholding registration
Shi Hui	hold a 7.98% stake before the Company changes its shareholding registration
Xu Zhulin	hold a 6.78% stake before the Company changes its shareholding registration

5. Related Party Transactions

3.1 Related Party Guarantees:

The Company as Guarantor

Name of Guarantee	Amount of Guarantee	Starting Date of Guarantee	Ending Date of Guarantee	Has the Guarantee Been Performed?
Hao Jia Hengye Construction Development Co., Ltd.	85,000,000.00	2014-6-26	2017-6-26	Not yet
Hao Jia Hengye Construction Development Co., Ltd.	60,000,000.00	2015-9-25	2016-9-25	Not yet
Hao Jia Hengye Construction Development Co., Ltd.	30,000,000.00	2015-3-4	2016-3-4	Not yet
Hao Jia Hengye Construction Development Co., Ltd.	30,000,000.00	2015-11-30	2016-11-30	Not yet
Hao Jia Hengye Construction Development Co., Ltd.	30,000,000.00	2015-12-30	2016-12-30	Not yet
Hao Jia Hengye Construction Development Co., Ltd.	20,000,000.00	2015-11-30	2016-11-30	Not yet
Jiangsu haiyu International Trade Co., Ltd.	30,000,000.00	2015-10-30	2016-10-30	Not yet
Jiangsu Jiangzhou Construction Development Co., Ltd.	65,000,000.00	2014-6-26	2017-6-26	Not yet
Jiangsu Jiangzhou Construction Development Co., Ltd.	37,000,000.00	2014-4-21	2016-4-21	Not yet
Jiangsu Jiangzhou Construction Development Co., Ltd.	32,000,000.00	2015-1-1	2017-1-1	Not yet
Jiangsu Jiangzhou Construction Development Co., Ltd.	23,000,000.00	2014-3-19	2016-3-19	Not yet
Jiangsu Jiangzhou Construction Development Co., Ltd.	22,000,000.00	2014-11-27	2016-11-27	Not yet
Jiangsu Xinluda Construction Co., Ltd.	40,000,000.00	2014-8-25	2016-8-25	Not yet
Jiangsu Xinluda Construction Co., Ltd.	30,000,000.00	2015-7-20	2016-7-20	Not yet
Jiangsu Xinluda Construction Co., Ltd.	27,000,000.00	2015-11-30	2016-11-30	Not yet
Jiangsu Xinluda Construction Co., Ltd.	15,000,000.00	2015-1-27	2016-1-27	Not yet
Anhui Province Luwang Traffic Construction Group Corporation Limited	80,000,000.00	2015-2-26	2016-2-26	Not yet
Nantong Yucheng Construction Co., Ltd.	50,000,000.00	2015-1-1	2016-1-1	Not yet
Nantong Yucheng Construction Co., Ltd.	30,000,000.00	2015-12-31	2016-12-31	Not yet
Nantong Yucheng Construction Co., Ltd.	50,000,000.00	2015-1-1	2016-1-1	Not yet

Name of Guarantee	Amount of Guarantee	Starting Date of Guarantee	Ending Date of Guarantee	Has the Guarantee Been Performed?
Nantong Yucheng Construction Co., Ltd.	20,000,000.00	2015-12-31	2016-12-31	Not yet
Nantong Yucheng Construction Co., Ltd.	138,000,000.00	2013-12-15	2016-1-1	Not yet
Nantong Yuda Building Services Ltd.	5,000,000.00	2015-7-20	2016-7-20	Not yet
Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd	40,000,000.00	2015-5-26	2016-5-26	Not yet
Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd	40,000,000.00	2015-11-30	2016-11-30	Not yet
Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd	30,000,000.00	2015-7-10	2016-7-10	Not yet
Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd	30,000,000.00	2015-11-1	2016-11-1	Not yet
Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd	32,000,000.00	2015-8-1	2016-8-1	Not yet
Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd	50,000,000.00	2015-12-30	2016-12-30	Not yet
Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd	20,000,000.00	2015-5-1	2016-5-1	Not yet
Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd	20,000,000.00	2015-6-26	2016-6-26	Not yet
Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd	17,000,000.00	2014-12-22	2016-12-22	Not yet
Nantong yuan Peng building installation engineering Co., Ltd.	30,000,000.00	2015-6-30	2016-6-30	Not yet
Nantong yuan Peng building installation engineering Co., Ltd.	20,000,000.00	2015-8-31	2016-8-31	Not yet
Nantong yuan Peng building installation engineering Co., Ltd.	10,000,000.00	2015-6-3	2017-6-3	Not yet
Total	1,288,000,000.00			

The Company as Guarantee

Guarantor	Amount of Guarantee	Starting Date of Guarantee	Ending Date of Guarantee	Has the Guarantee Been Performed?
Haimen Urban Development Investment Co., Ltd. / Anhui Road Network Traffic Construction Group Co., Ltd. 55% pledged equity	210,000,000.00	2014.08.25	2019.08.25	Not yet
Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd	20,000,000.00	2015.02.27	2016.02.26	Not yet
Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co.,	30,000,000.00	2015.11.30	2016.11.26	Not yet

Guarantor	Amount of Guarantee	Starting Date of Guarantee	Ending Date of Guarantee	Has the Guarantee Been Performed?
Ltd.				
Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd	100,000,000.00	2015.07.07	2016.07.05	Not yet
Haimen Urban Development Investment Co., Ltd	90,000,000.00	2015.01.16	2016.01.16	Not yet
Haimen Urban Development Investment Co., Ltd	145,000,000.00	2015.12.15	2016.06.15	Not yet
Haimen Urban Development Investment Co., Ltd	144,000,000.00	2015.12.16	2016.06.16	Not yet
Haimen Urban Development Investment Co., Ltd	50,000,000.00	2015.07.16	2016.07.16	Not yet
Haimen Urban Development Investment Co., Ltd	50,000,000.00	2015.05.14	2016.05.14	Not yet
Haimen Urban Development Investment Co., Ltd	50,000,000.00	2015.05.19	2016.05.19	Not yet
Haimen Urban Development Investment Co., Ltd	300,000,000.00	2015.04.21	2017.04.20	Not yet
Haimen Urban Development Investment Co., Ltd	50,000,000.00	2014.06.27	2017.06.26	Not yet
Haimen Urban Development Investment Co., Ltd	30,000,000.00	2015.12.25	2016.7.24	Not yet
Haimen Urban Development Investment Co., Ltd	30,000,000.00	2015.12.25	2016.7.24	Not yet
Haimen Urban Development Investment Co., Ltd	20,000,000.00	2015.12.25	2016.7.24	Not yet
Haimen Urban Development Investment Co., Ltd	40,000,000.00	2015.12.25	2016.7.24	Not yet
Haimen Urban Development Investment Co., Ltd	60,000,000.00	2015.10.29	2016.10.29	Not yet
Haimen Urban Development Investment Co., Ltd	70,000,000.00	2015.11.30	2016.11.29	Not yet
Haimen Urban Development Investment Co., Ltd	50,000,000.00	2015.07.17	2016.07.03	Not yet
Haimen Urban Development Investment Co., Ltd	15,000,000.00	2015.07.21	2016.07.03	Not yet
Haimen Urban Development Investment Co., Ltd	85,000,000.00	2015.07.27	2016.07.03	Not yet
Total	1,639,000,000.00			

3.2 Related Party Borrowed Funds

Related Party	Amount	Starting Date	Ending Date	Remark
Deposit funds:				

Related Party	Amount	Starting Date	Ending Date	Remark
Jiangsu Xinluda Construction Co., Ltd.	80,000,000.00	2015.11	2015.12.31	Fund intercourse
Jiangsu Jiangzhou Construction Development Co., Ltd.	39,500,000.00	2015.1.1	2015.12.31	Fund intercourse
Nantong Yucheng Construction Co., Ltd.	421,470,459.48	2015.1.1	2015.12.31	Fund intercourse
Hao Jia Hengye Construction Development Co. Ltd.	805,000,000.00	2015.1.1	2015.12.31	Fund intercourse
Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd	151,000,000.00	2015.1.1	2015.12.31	Fund intercourse
Funds lent:				Fund intercourse
Nantong Yucheng Construction Co., Ltd.	256,500,000.00	2015.1.1	2015.12.31	Fund intercourse
Hao Jia Hengye Construction Development Co., Ltd.	753,000,000.00	2015.1.1	2015.12.31	Fund intercourse
Jiangsu Xinluda Construction Co., Ltd.	20,000,000.00	2015.1.1	2015.12.31	Fund intercourse
Jiangsu Jiangzhou Construction Development Co., Ltd.	39,500,000.00	2015.1.1	2015.12.31	Fund intercourse
Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd	185,012,000.00	2015.1.1	2015.12.31	Fund intercourse

a) Statement of Purchase of Goods / Receipt ofServices

Name of Related Party	Transaction Content	Amount in 2015	Amount in 2014
Nantong Yuanpeng Construction and Installation Engineering Co., Ltd	Supply of services	46,625,470.00	23,050,950.00
Nantong Yuda Construction Services Co., Ltd.	Supply of services	41,503,866.00	37,151,210.00

6. Receivables and Payables of Related Parties

4.1 Receivables

Item	Related Party	Closing Balance		Opening Balance	
		Book Balance	Provision for Bad Debt	Book Balance	Provision for Bad Debt
Other receivables	Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd	91,175,735.66	2,740,918.26	189,382,155.06	5,686,702.71

Item	Related Party	Closing Balance		Opening Balance	
		Book Balance	Provision for Bad Debt	Book Balance	Provision for Bad Debt
Other receivables	Jiangsu Nantong sanjian construction decoration Co., Ltd.	1,329,359.32	265,871.86		
Other receivables	Nantong Yucheng Construction Co., Ltd.	118,840,801.52	3,565,224.05	101,782,466.26	3,053,473.99
Other receivables	Hao Jia Hengye Construction Development Co., Ltd.	105,725,655.51	3,171,769.67	209,616,042.84	6,288,481.29
Other receivables	Jiangsu Jiangzhou Construction Development Co., Ltd.	10,000,000.00	300,000.00		
Other receivables	Nantong Yuda Building Services Ltd.	31,460.00	6,292.00	2,031,460.00	60,943.80
Other receivables	Nantong yuan Peng building installation engineering Co., Ltd.	33,000.00	990.00		
Other receivables	Huang Yuhui	5,950,000.00	178,500.00		
Other receivables	Shi Hui	5,187,169.50	965,615.09		
Total		338,273,181.51	11,195,180.93	502,812,124.16	15,089,601.79

4.2 Payables

Item	Related Party	Closing Balance	Opening Balance
Other payable	Jiangsu Nantong Sanjian construction decoration Co., Ltd.	2,057,850.03	2,057,850.03
Other payable	Nantong Yucheng Construction Co., Ltd.	49,661,941.02	
Other payable	Jiangsu New Road Construction Co., Ltd.	72,196,706.48	3,056,015.27
Other payable	Jiangsu Nantong Sanjian Group Third Construction and Installation Engineering Co., Ltd	30,221,990.41	65,098,007.67
Other payable	Nantong Yuda Building Services Ltd.	32,170,664.00	16,200,000.00
Other payable	Shi Hui	10,000.00	
Other payable	Ji Qiuye	3,277,953.97	
Total		189,597,105.91	86,411,872.97

IX. Commitments and Contingencies

1. Commitment Issues

Significant commitment at the balance sheet date:The Company does not have commitments to disclose.

2. Contingencies

Contingent liabilities and their financial impacts which are caused by pending action or arbitration at the balance sheet date:

As of February 29th, 2016, there are 93 pending actions of the Company in total, the amount of subjects involved is CNY 170 million. For some cases, the Company may claim to the third party after taking breach of contract or liability, but the specific amount cannot be determineddue to these unsolved cases; the company will not actually bear legal responsibility to some cases. The breakdown of contingent liabilities and their financial impacts which are caused by major cases (more than CNY 5 million) have been shown as following:

Serial number	Creditor	Main content of the case	Amount involved (Million)	Expected amount of compensation or Legal Responsibility Impact estimates
1	Hebei hengshuo Commercial Concrete Co. Ltd.	In September 2014,The Intermediate People's court of Xingtai City, Hebei Province accepted the lawsuit that Hebei Hengshuo Commercial Concrete Co., Ltd.sued the company for a dispute over the sale of the contract. The amount of the case isCNY 11.099 million.	11.099	The company undertook the construction of the 'Phoenix House square' project in Xingtai, Hebei Province. During the construction process,the company used concretesupplied byHebei Hengshuo commodity concrete Co., Ltd.Since the project owner unit failed to pay the project funds timely, the company owed concrete fees to Hebei Hengshuo Commodity Concrete Co., Ltd, moreover,there was a dispute over the payment and settlement between the company and Hengshuo, thus, prompting this lawsuit. As the amount of the case involved,it would be compensated from the subsequently recovered project fund, so it was expected that this case may have no significant adverse impact on the company.
	Lu Jianhua, Zhang Yonglin	In October 2014, The Intermediate People 's Court of Nantong City, Jiangsu Province accepted the case that the plaintiff Lu Jianhua, Zhang Yonglin sued the company for a dispute over the construction contract. The amount of the case is CNY 29.862 million.	29.862	The company undertook the construction of the Angolan social housing project in Angola, Africa. The plaintiff Lu Jianhua, Zhang Yonglin took part in the subcontract construction of the above project, the settlement disputes with the company led to this lawsuit. According to the accounts of the subordinate international engineering company of the company, Lu Jianhua and Zhang Yonghua have not paid the payments in arrears in time and the arrears is much larger than the amount of subjects in this case. No trial has yet been scheduled, the trail results and the final amount involvedistemporarily unable to determine, therefore, it is difficult to estimate whether this lawsuit

Serial number	Creditor	Main content of the case	Amount involved (Million)	Expected amount of compensation or Legal Responsibility Impact estimates
				would finally bring the company adverse impact.
3	Zhejiang Tianhong Steel Structure Co., Ltd.	In February 2015, Nanjing Jiangning District People's Court accepted the case that Zhejiang Tianhong Steel Co., Ltd. sued the Company for a dispute overthe construction project subcontract. The amount of the case is CNY8.079 million.	8.079	The company undertook the construction of the plant project ofGuodian Nanjing Automation Co., Ltd. During the construction process, the company subcontracted the steel structure of the project to plaintiff, because the project owner unit failed to pay the project funds timely, the company owed subcontracted payments to the plaintiff, furthermore, there is subcontracting settlement dispute between two sides, thus, prompting this lawsuit. As the amount of the case involved, it would be compensated from the subsequently recovered project fund, so it was expected that this case may have no significant adverse impact on the company.
4	Hebei North China Petroleum Tiancheng Industrial Group Co., Ltd.	In May 2015, the people's Court of Renqiu City, Hebei Province accepted the case that Hebei Huabei Petroleum Tiancheng Industrial Group Co., Ltd. sued the Company for a dispute over the sale contract, the amount of the case is CNY6.099 million.	6.099	The company undertook the construction of North China Oilfield venture homes D residential buildings and D garage and other projects of Renqiu city, Hebei province. During the construction process, the company used concrete supplied by the plaintiff. Since the project owner unit failed to pay the project funds timely, the company owed concrete fees to plaintiff, moreover, there was a dispute over the payment and settlement between the company and plaintiff, thus, prompting this lawsuit. As the amount of the case involved, it would be compensated from the subsequently recovered project fund, so it was expected that this case may have no significant adverse impact on the company.
5	Laiwu billion Austrian industry and Trade Co., Ltd.	In May 2015, the People's Court of Gangcheng District, Laiwu City, Shandong Province accepted the case that Laiwu billion Austrian industry and Trade Co., Ltd. sued the company for a dispute over the sale contract, the amount of the case amounted to CNY9.139 million.	9.139	The company undertook the construction of Venice manor project in Tengzhou City, Shandong Province. During the construction process, the company used steel supplied by plaintiff. Since the project owner unit failed to pay the project funds timely, the company owed steel fees to plaintiff, moreover, there was a dispute over the payment and settlement between the company and plaintiff, thus, prompting this lawsuit. As the amount of the case involved, it would be compensated from the subsequently recovered project fund, so it was expected that this case may have no significant adverse impact on the company.
6	Beijing An Xie Hong Fire	In June 2015, Beijing Daxing District People's Court accepted the case that Beijing An Xie Hong Fire Equipment Co., Ltd sued the company for a	6.68	The company undertook the construction of the Beijing Xingsheng Industrial Park project. During the construction

Serial number	Creditor	Main content of the case	Amount involved (Million)	Expected amount of compensation or Legal Responsibility Impact estimates
	Equipment Co., Ltd	dispute over the construction project subcontracting. The amount of the case is CNY 6.68 million.		process, the company subcontracted the fire engineering of the project to the plaintiff. Because the project owner unit failed to pay the project funds timely, the company owed subcontracted payments to the plaintiff, furthermore, there is subcontracting settlement dispute between two sides, thus, prompting this lawsuit. As the amount of the case involved, it would be compensated from the subsequently recovered project fund, so it was expected that this case may have no significant adverse impact on the company.
7	Hunan Lianbo Trade Co. Ltd.	In October 2015, Changsha Tianxin District People's court accepted the case that Hunan Lianbo trading Co., Ltd sued the company for a dispute over the sale contract. The amount of the case is CNY 9.02 million.(The bank account funds of the company was frozen atCNY9.02 million).	9.02	The company undertook the construction of the Hunan Changsha Jinding Garden Residential Community project. During the construction process, the company used steel supplied by the plaintiff. Since the project owner unit failed to pay the project funds timely, the company owed steel fees to plaintiff, moreover, there was a dispute over the payment and settlement between the company and plaintiff, thus, prompting this lawsuit. As the amount of the case involved, it would be compensated from the subsequently recovered project fund, so it was expected that this case may have no significant adverse impact on the company.
8	Nanjing Guodian Nanzi Grid Automation Co. Ltd.	In December 2015,Nanjing Jiangning District People 's Court accepted the case that Nanjing State Power South Power Grid Automation Co., Ltd sued the company for a dispute over the construction contract. The amount of the case is CNY 7.01 million.	7.01	The company undertook the construction of production plant project of plaintiff, Nanjing Guodian Nanzi Grid Automation Co., Ltd. The plaintiff defaulted on the project payment. In order to reduce and delay payments for the project, the plaintiff claimed the company to pay liquidated damages and other losses for construction delays and construction quality problems during construction process. The plaintiff and the company has not yet reached the final settlement on the payment of the project, however, according to the company estimates, the plaintiff's arrears of the company is about CNY 10 million, so it is expected this case has no significant adverse impact on the company.
9	Beijing Shuanglong Lijia Trading Co. Ltd.	In January 2016, the People's Court of Changan District, Shijiazhuang City, Hebei Province accepted the case that Beijing Shuanglong Lijiatrading Co. Ltd. sued the company for a dispute over the sale contract. The amount of the case is CNY7.70 million. (The bank account funds of the company was frozen at CNY 7.70 million)	7.70	The company undertook the construction of Sun City First-stage project in Langfang city, Hebei Province. During the construction process, the company used wood and steel supplied by the plaintiff. Since the project owner unit failed to pay the project funds timely, the company owed payments of goods to plaintiff, moreover, there was a dispute over the payment and settlement between the company and plaintiff, thus, prompting this lawsuit. As the

Serial number	Creditor	Main content of the case	Amount involved (Million)	Expected amount of compensation or Legal Responsibility Impact estimates
				amount of the case involved, it would be compensated from the subsequently recovered project fund, so it was expected that this case may have no significant adverse impact on the company.
Total			94.6880	

At the balance sheet date, liabilities and financial liabilities of the Company and its subsidiaries for the provision of debt guarantees to other companies

Name of Guarantor	Amount of Guarantee	Starting Date of Guarantee	Ending Date of Guarantee	Has the Guarantee Been Performed?
Haimen Hongtian construction decoration Co., Ltd	20,000,000.00	2015-1-8	2016-1-8	Not yet
Haimen Hongtian construction decoration Co., Ltd	5,000,000.00	2015-7-20	2016-7-20	Not yet
Haimen Datong Water Conservancy Construction Engineering Co., Ltd.	100,000,000.00	2010-2-25	2016-1-20	Not yet
Haimen Dongzhou water treatment Co., Ltd.	100,000,000.00	2010-12-16	2016-12-16	Not yet
Haimen radio and television station	200,000,000.00	2014-1-27	2021-1-26	Not yet
Haimen Hai Jin Traffic Construction Co., Ltd.	130,000,000.00	2009-4-24	2017-4-24	Not yet
Haimen Haitian Traffic Construction Investment Co., Ltd.	90,000,000.00	2013-11-4	2016-11-4	Not yet
Haimen Hongbo Construction Engineering Co., Ltd	10,000,000.00	2015-12-30	2016-12-30	Not yet
Haimen Hongbo Construction Engineering Co., Ltd	8,000,000.00	2015-3-1	2016-3-1	Not yet
Haimen City Hongfei Building Materials Distribution Co., Ltd	30,000,000.00	2015-11-30	2016-11-30	Not yet
Haimen Huayu Building Installation Co., Ltd.	40,000,000.00	2014-6-20	2016-6-20	Not yet
Haimen Huayu Building Installation Co., Ltd.	20,000,000.00	2015-1-19	2016-1-19	Not yet
Haimen Huayu Building Installation Co., Ltd.	20,000,000.00	2015-6-12	2016-6-12	Not yet
Haimen Huayu Building Installation Co., Ltd.	10,000,000.00	2015-5-9	2016-5-9	Not yet
Haimen Jiahong Building Material Co., Ltd.	10,500,000.00	2015-4-9	2016-4-9	Not yet

Name of Guarantor	Amount of Guarantee	Starting Date of Guarantee	Ending Date of Guarantee	Has the Guarantee Been Performed?
Haimen Jiahong Building Material Co., Ltd.	30,000,000.00	2015-5-25	2016-5-25	Not yet
Haimen Jiahong Building Material Co., Ltd.	28,000,000.00	2015-7-10	2016-7-10	Not yet
Haimen Peng Tian Traffic Construction Co., Ltd.	30,000,000.00	2014-3-21	2017-3-21	Not yet
Haimen Peng Tian Traffic Construction Co., Ltd.	11,250,000.00	2014-3-21	2017-3-21	Not yet
Haimen Peng Tian Traffic Construction Co., Ltd.	7,500,000.00	2014-3-21	2017-3-21	Not yet
Haimen Peng Tian Traffic Construction Co., Ltd.	4,125,000.00	2014-3-21	2017-3-21	Not yet
Haimen Peng Tian Traffic Construction Co., Ltd.	4,125,000.00	2014-3-21	2017-3-21	Not yet
Haimen Sanlian building installation engineering Co., Ltd.	18,000,000.00	2015-11-30	2016-11-30	Not yet
Haimen Sanlian building installation engineering Co., Ltd.	10,000,000.00	2015-8-10	2016-8-0	Not yet
Haimen Sanlian building installation engineering Co., Ltd.	15,500,000.00	2015-9-30	2016-9-30	Not yet
Haimen Sanlian building installation engineering Co., Ltd.	14,000,000.00	2015-9-30	2016-9-30	Not yet
Haimen Sanlian building installation engineering Co., Ltd.	10,000,000.00	2015-2-15	2016-2-15	Not yet
Haimen Tian green garden Engineering Co., Ltd.	20,000,000.00	2015-3-16	2016-3-16	Not yet
Jiangsu Longxin Construction Co., Ltd.	30,000,000.00	2015-1-1	2016-1-1	Not yet
Longxin Construction Group Limited	240,000,000.00	2015-8-1	2017-8-1	Not yet
Longxin Construction Group Limited	130,000,000.00	2015-5-18	2016-5-14	Not yet
Nanjing mutual trust Communication Technology Co., Ltd.	130,000,000.00	2015-8-20	2015-8-20	Not yet
Nantong Hai two Construction Co., Ltd.	20,000,000.00	2015-6-12	2015-6-12	Not yet
Nantong Hai two Construction Co., Ltd.	13,000,000.00	2015-11-30	2015-11-30	Not yet
Nantong Hai two Construction Co., Ltd.	8,000,000.00	2015-11-30	2015-11-30	Not yet

Name of Guarantor	Amount of Guarantee	Starting Date of Guarantee	Ending Date of Guarantee	Has the Guarantee Been Performed?
Nantong Haiyu building installation engineering Co., Ltd.	12,000,000.00	2015-1-5	2016-1-5	Not yet
Nantong Hongfeng Construction Engineering Co., Ltd.	40,000,000.00	2015-8-31	2017-8-31	Not yet
Nantong Huashuo Construction Development Co., Ltd.	30,000,000.00	2015-2-13	2016-2-13	Not yet
Nantong Huashuo Construction Development Co., Ltd.	28,000,000.00	2015-4-21	2016-4-21	Not yet
Nantong Huashuo Construction Development Co., Ltd.	25,000,000.00	2015-9-30	2016-9-30	Not yet
Nantong Huashuo Construction Development Co., Ltd.	9,500,000.00	2015-3-7	2016-3-7	Not yet
Nantong Huashuo Construction Development Co., Ltd.	6,500,000.00	2015-4-23	2016-4-23	Not yet
Nantong Jaguan construction services Co., Ltd.	8,000,000.00	2015-7-10	2016-7-10	Not yet
Nantong Jiaguan construction services Co., Ltd.	5,000,000.00	2015-7-20	2016-7-20	Not yet
Nantong Jin Lei Municipal Engineering Co., Ltd.	20,000,000.00	2015-7-20	2016-7-20	Not yet
Nantong Ke Jun Construction Engineering Co., Ltd.	10,000,000.00	2015-8-31	2016-8-31	Not yet
Nantong Ke Jun Construction Engineering Co., Ltd.	9,000,000.00	2015-8-31	2016-8-31	Not yet
Nantong Ke Jun Construction Engineering Co., Ltd.	9,000,000.00	2015-8-31	2016-8-31	Not yet
Nantong Rongxin construction and installation Co., Ltd.	5,000,000.00	2015-1-9	2016-1-9	Not yet
Nantong Shengtai Engineering Co., Ltd.	10,000,000.00	2015-10-30	2016-10-30	Not yet
Nantong Shengtai Engineering Co., Ltd.	8,000,000.00	2015-10-30	2016-10-30	Not yet
Nantong Shengtai Engineering Co., Ltd.	3,000,000.00	2015-5-20	2016-5-20	Not yet
Nantong Shengtai Engineering Co., Ltd.	15,000,000.00	2015-8-31	2016-8-31	Not yet
Nantong Sheng Kai construction and Installation Engineering Co., Ltd.	20,000,000.00	2015-3-10	2016-3-10	Not yet
Nantong Sheng Kai construction and Installation Engineering Co., Ltd.	20,000,000.00	2015-9-30	2016-9-30	Not yet

Name of Guarantor	Amount of Guarantee	Starting Date of Guarantee	Ending Date of Guarantee	Has the Guarantee Been Performed?
Nantong Sheng Kai construction and Installation Engineering Co., Ltd.	10,000,000.00	2015-6-12	2016-6-12	Not yet
Nantong Sheng Kai construction and Installation Engineering Co., Ltd.	10,000,000.00	2015-12-30	2016-12-30	Not yet
Nantong Dongzhou Construction Engineering Co., Ltd.	5,000,000.00	2015-7-20	2016-7-20	Not yet
Nantong Hai Jin construction and Installation Engineering Co., Ltd.	20,000,000.00	2015-1-1	2016-1-1	Not yet
Nantong Jin Lei Construction Engineering Co., Ltd.	50,000,000.00	2015-11-10	2016-11-10	Not yet
Nantong Jin Lei Construction Engineering Co., Ltd.	50,000,000.00	2015-11-30	2016-11-30	Not yet
Nantong Jin Lei Construction Engineering Co., Ltd.	10,000,000.00	2015-11-30	2016-11-30	Not yet
Nantong Tong Dong Construction Development Co., Ltd.	28,000,000.00	2015-1-1	2016-1-1	Not yet
Nantong Tong Dong Construction Development Co., Ltd.	25,000,000.00	2015-7-10	2016-7-10	Not yet
Nantong Tong Dong Construction Development Co., Ltd.	23,000,000.00	2015-7-10	2016-7-10	Not yet
Nantong Tong Dong Construction Development Co., Ltd.	15,000,000.00	2015-7-10	2016-7-10	Not yet
Nantong Tong Dong Construction Development Co., Ltd.	10,000,000.00	2015-12-24	2016-12-24	Not yet
Nantong Xinle Building Decoration Co., Ltd.	25,000,000.00	2015-9-30	2016-9-30	Not yet
Nantong Yusheng Construction Co., Ltd.	20,000,000.00	2014-1-23	2016-1-23	Not yet
Nantong Yusheng Construction Co., Ltd.	9,000,000.00	2015-8-30	2016-8-30	Not yet
Nantong Ze Ying Construction Engineering Co., Ltd.	10,000,000.00	2015-3-1	2016-3-1	Not yet
Nantong Zhong xiaConstruction Engineering Contracting Co., Ltd	30,000,000.00	2015-5-5	2017-5-5	Not yet
Nantong Zhong xia Construction Engineering Contracting Co., Ltd	20,000,000.00	2015-12-30	2016-12-30	Not yet
Nantong Zhong xia Construction Engineering Contracting Co., Ltd	15,000,000.00	2015-12-30	2016-12-30	Not yet
Shandong Tiancheng Municipal Highway Engineering Co., Ltd.	300,000,000.00	2015-2-3	2016-2-2	Not yet

Name of Guarantor	Amount of Guarantee	Starting Date of Guarantee	Ending Date of Guarantee	Has the Guarantee Been Performed?
Shanghai Mengzhi Investment Co., Ltd.	5,000,000.00	2015-3-4	2016-3-4	Not yet
Total	2,550,000,000.00			

（3） Litigation items arising from external guaranty

1, On October 20th, 2014, the Company compensated CNY 45 million Loans (principal and interest) for Nantong Xinhai Green Refrigerant Co., Ltd. In Haimen Branch of Agricultural Bank of China. On October 24th, 2014, the Company compensated CNY 60 million Loans (principal and interest) for Nantong Xinhai Green Refrigerant Co., Ltd. In Haimen branch of China Construction Bank. At present, that company has been closed, in order to safeguard the legitimate rights of the company's assets, the company has brought legal action against the counter guarantor, Jinbin couple, and this case is under trail.

2, On October 31st, 2014. The Company compensated CNY 50 million Loans (principal) for Jiangsu Jinxue Group Co., Ltd in Nantong branch of China Merchants Bank. On December 19th, 2014, the Company compensated CNY 20 million Loans (principal and interest)for Jiangsu Jinxue Group Co., Ltd in Nantong Branch of Everbright Bank. At present, the company has been closed, in order to safeguard the legitimate rights of the company's assets, the company has brought legal action against the counter guarantor, Jinbin couple, and this case is under trail.

XI. Post Balance Sheet Event

No significant post balance sheet events need to be disclosed.

XII.Notes to the Main Items of the Financial Statements of Parent Company (All currency unit is RMB Yuan, except other statements)

1. Accounts receivable

1.1 An analysis of accounts receivable by categories

Type	Closing balance				
	Book balance	Proportion (%)	Provision for bad debt	Proportion of Provision (%)	Book value
Accounts receivable with significant single amount and tested for impairment individually					

Type	Closing balance				
	Book balance	Proportion (%)	Provision for bad debt	Proportion of Provision (%)	Book value
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:	2,505,529,401.00	100.00	111,523,006.51	4.45	2,394,006,394.49
Portfolio under the aging analysis method					
Accounts receivable with insignificant single amount but tested for impairment individually					
Total	2,505,529,401.00	/	111,523,006.51	/	2,394,006,394.49

(Continued)

Category	Opening balance				
	Book balance	Proportion (%)	Provision for bad debt	Proportion of Provision (%)	Book Value
Accounts receivable with significant single amount and tested for impairment individually					
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:	2,582,413,091.71	100.00	164,588,072.89	6.37	2,417,825,018.82
Portfolio under the aging analysis method					
Accounts receivable with insignificant single amount but tested for impairment individually					
Total	2,582,413,091.71	/	164,588,072.89	/	2,417,825,018.82

i. Aging analysis of the receivables is as follows:

Aging	Closing Balance		Opening balance	
	Book balance	Provision for bad debt	Book balance	Provision for bad debt

	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	2,243,412,842.13	3.00	67,302,385.26	1,701,593,140.51	3.00	51,047,794.22
1-2 years	151,513,017.87	10.00	15,151,301.79	735,791,264.47	10.00	73,579,126.45
2-3 years	86,871,166.64	20.00	17,374,233.33	80,237,987.42	20.00	16,047,597.48
3-4 years	10,398,535.63	30.00	3,119,560.69	49,577,437.09	30.00	14,873,231.13
4-5 years	9,516,626.57	50.00	4,758,313.29	12,345,877.22	50.00	6,172,938.61
Over 5 years	3,817,212.16	100.00	3,817,212.15	2,867,385.00	100.00	2,867,385.00
Total	2,505,529,401.00		111,523,006.51	2,582,413,091.71		164,588,072.89

1.2 Provision and recovery for bad and doubtful debt in the current period

The amount of Current recovery or reversal of bad debts is CNY 53,065,066.38

1.3 Top five entities with the largest balances of the account receivables

Company name	Amount	Provision Amount	Proportion in the total (%)
Beijing Zhongjian Xinghua Real Estate Development Co., Ltd.	97,441,319.95	2,923,239.60	3.89
Nantong Huixin Real Estate Development Co., Ltd	85,761,229.07	5,923,221.52	3.42
Tianjin Sheng Zhong Real Estate Investment Co., Ltd.	85,127,927.62	2,553,837.83	3.40
BDO Nanjing Real Estate Development Co., Ltd	71,986,982.29	2,159,609.47	2.87
Jimo Ding long development & Construction Co., Ltd.	50,000,000.00	1,500,000.00	2.00
Jimo City Tourism Development Investment Co., Ltd.	50,000,000.00	1,500,000.00	2.00
Total	440,317,458.93	16,559,908.42	17.58

2. Other receivables

2.1 Other receivables disclosed by categories

Category	Closing Balance				
	Book Balance	Proportion (%)	Provision for bad debt	Provision Proportion (%)	Book Value
Other receivables with significant single amount and tested for impairment individually					
Other receivables withdrawal of bad debt provision of by credit risks characteristics	3,641,051,636.56	100.00	294,056,347.10	8.08	3,346,995,289.46
Portfolio under the aging analysis method					
Other receivables with insignificant single amount but tested for impairment individually					
Total	3,641,051,636.56	/	294,056,347.10	/	3,346,995,289.46

(Continued)

Category	Opening Balance				
	Book Balance	Proportion (%)	Provision for bad debt	Provision Proportion (%)	Book Value
Other receivables with significant single amount and tested for impairment individually					
Other receivables withdrawal of bad debt provision of by credit risks characteristics	3,293,965,787.87	100.00	242,618,858.20	7.37	3,051,346,929.67
Portfolio under the aging analysis method					
Other receivables with insignificant single amount but tested for impairment individually					
Total	3,293,965,787.87	/	242,618,858.20	/	3,051,346,929.67

An analysis of provision under the aging analysis method

Aging	Closing Balance			Opening Balance		
	Account Receivable	Provision for bad debt	Proportion of Provision (%)	Account Receivable	Provision for bad debt	Proportion of Provision (%)
Within 1 year	2,666,689,679.21	80,511,574.06	3	2,351,550,814.65	75,266,833.15	3
1-2 years	680,443,069.02	66,492,167.30	10	666,904,929.12	66,690,492.91	10
2-3 years	64,242,108.10	12,546,809.61	20	50,412,220.79	10,082,444.16	20
3-4 years	37,671,139.76	11,301,341.93	30	161,846,014.74	49,201,188.48	30
4-5 years	137,602,372.55	68,801,186.28	50	44,100,623.12	22,226,714.06	50
Over 5 years	54,403,267.92	54,403,267.92	100	19,151,185.45	19,151,185.44	100
Total	3,641,051,636.56	294,056,347.10		3,293,965,787.87	242,618,858.20	

2.2 Provision and recovery for bad and doubtful other receivables in the current period.

The provision allowance of current period is CNY 51,437,488.90

2.3 Top five entities with the largest balances of the other receivables

Company Name	Category	Closing Balance	Aging	Proportion in total receivables	Provisioning amount at period end
Nantong Yucheng Construction Co. Ltd.	Fund Intercourse	118,840,801.52	Within 1 year	3.26	3,565,224.05

Company Name	Category	Closing Balance	Aging	Proportion in total receivables	Provisioning amount at period end
Hao Jia Hengye Construction Development Co. Ltd.	Fund Intercourse	105,725,655.51	Within 1 year105,582,254.45CNY; 1-2 years 117,841.06CNY; 2-3 years 25,560.00CNY	2.90	3,184,363.74
Nantong Xinhai refrigerant Co. Ltd.	Compensatory money	105,511,968.24	1-2 years	2.90	10,551,196.82
Jiangsu Nantong three construction group third construction and Installation Engineering Co., Ltd.	Fund Intercourse	91,175,735.66	Within 1 year91,119,273.74CNY; 1-2 years 56,461.92CNY; 2-3 years20,150.00CNY	2.50	2,740,918.26
Jiangsu golden snow Group Co., Ltd.	Compensatory money	70,164,150.41	1-2 years	1.93	7,016,415.04
Total		491,418,311.34		13.49	27,058,117.91

3. Long-term equity investment

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book Value	Book balance	Provision for impairment	Book Value
Investment in subsidiary	1,231,689,857.66		1,231,689,857.66	980,981,857.66		980,981,857.66
Investment in associate, joint venture	49,144,535.53		49,144,535.53	46,867,516.35		46,867,516.35
Total	1,280,834,393.19		1,280,834,393.19	1,027,849,374.01		1,027,849,374.01

3.1. Investment in subsidiary

Investee Investee	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Provision for impairment in the current period	Closing balance of provision for impairment
Nantong Sanjian Construction Services Co., Ltd.	7,801,857.66			7,801,857.66		
Jiangsu Nantong Sanjian building real estate development Co., Ltd.	1,600,000.00			1,600,000.00		
Jiangsu Nantong Sanjian construction Overseas Labor Service Co., Ltd.	5,000,000.00			5,000,000.00		
Nantong Chen Yu Kun Investment Co., Ltd	91,650,000.00			91,650,000.00		
Jiangsu Nantong Sanjian construction equipment installation engineering Co.,,	9,000,000.00			9,000,000.00		

Investee Investee	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Provision for impairment in the current period	Closing balance of provision for impairment
Ltd.						
Shanghai puzheng Architectural Design Co., Ltd.	3,000,000.00			3,000,000.00		
Huaian dong qi Real Estate Co., Ltd.	100,000,000.00			100,000,000.00		
Jiangsu hai yu International Trade Co. Ltd.	24,500,000.00		500,000.00	24,000,000.00		
Nantong sanjian Construction Engineering Management Co., Ltd.	19,500,000.00			19,500,000.00		
Wuhu Huafu Construction & Installation Co., Ltd.	1,000,000.00			1,000,000.00		
Jiangsu Nantong sanjian construction group Shenyang Construction Co., Ltd.	20,000,000.00			20,000,000.00		
Jiangsu Nantong sanjian construction group Dalian Construction Engineering Co., Ltd.	10,000,000.00			10,000,000.00		
Beijing Hongtai Xinghua trade LLC	83,880,000.00			83,880,000.00		
Nantong sanjian construction General Contracting Co., Ltd.	50,000,000.00			50,000,000.00		
ARCH-HARMONY ARCHITECTURE DESIGN Co., Ltd	21,000,000.00			21,000,000.00		
Anhui Province Luwang Traffic Construction Group Corporation Limited	469,000,000.00			469,000,000.00		
Jiangsu Nantong three construction group Changchun Construction Engineering Co., Ltd.	6,000,000.00			6,000,000.00		
Zhuke Network technology (Shanghai) Co., Ltd.	2,550,000.00		750,000.00	1,800,000.00		
Zhuhai Jianrong Investment Holdings Co., Ltd.	18,000,000.00			18,000,000.00		
Changshu Changhe Real Estate Co., Ltd.	37,500,000.00			37,500,000.00		
Haimen Sanjian Rural Microfinance Co., Ltd.		80,000,000.00		80,000,000.00		
Jianyitong (Beijing)		60,000,000.00		60,000,000.00		

Investee Investee	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Provision for impairment in the current period	Closing balance of provision for impairment
International Business Co., Ltd.						
Shanghai Hong Mai Real Estate Co., Ltd.		8,000,000.00		8,000,000.00		
Tianjin Yu Hai Housing Leasing Co., Ltd.		18,958,000.00		18,958,000.00		
Nantong Yu Heng Real Estate Co., Ltd.		85,000,000.00		85,000,000.00		
Total	980,981,857.66	251,958,000.00	1,250,000.00	1,231,689,857.66		

3.2. Investment in associate, joint venture

Investee	Opening Balance	Changes in Current Period			Closing Balance	Closing Balance of provision for impairment
		Increase	Decrease	Profit or loss recognized under equity method		
Joint Venture						
Subtotal						
Associate						
Qingdao Tianxin Real Estate Co., Ltd.	46,867,516.35			527,019.18	47,394,535.53	
Shenzhen ZhukeYunfu Technology Co.,Ltd		1,750,000.00			1,750,000.00	
Subtotal	46,867,516.35	1,750,000.00		527,019.18	49,144,535.53	
Total	46,867,516.35	1,750,000.00		527,019.18	49,144,535.53	

4. Sales and cost of sales

Item	Amount in the current period		Amount in the last period	
	Sales	Cost of sales	Sales	Cost of sales
Primary business	17,490,876,763.93	15,734,413,243.45	18,016,244,306.63	16,075,561,517.53
Other business	23,903,033.45	10,500,000.00		
Total	17,514,779,797.38	15,744,913,243.45	18,016,244,306.63	16,075,561,517.53

Top five Companies with the largest balances of the operating income

Company	Business income	Proportion of the total revenue of the company (%)
Zhong xin Construction Co., Ltd	414,759,999.45	2.37
Jimo Dingtaide development & Construction Co., Ltd.	350,000,000.00	2.00
Jiangsu Hongtai Real Estate Development Co. Ltd	283,784,895.00	1.62
Shanghai Yibang real estate Co., Ltd.	250,445,000.00	1.43
Hangzhou Yuhang oks GuDun Real Estate Co., Ltd.	239,519,184.00	1.37
Total	1,538,509,078.45	8.79

5. Investment income

Item	Current Period	Previous Period
Investment income from long-term equity investments under cost method		
Investment income from long-term equity investments under equity method	527,019.18	-2,132,483.65
Investment income from disposing long-term equity investments		
Investment income gained during the period of holding the financial assets measured at fair value and changes through current profit or losses		5.24
Investment income from disposing financial assets measured at fair value and changes through current profit or losses		
Investment income gained during the period of holding held-for-maturity investments		
Investment income gained during the period of holding available-for-sale investments	5,000,000.00	4,400,000.00
Investment income from disposing held-for-maturity investments		
Investment income from disposing available-for-sale financial assets	2,293.23	
Gains or losses from residual shares re-measured at fair value after losing control		
Other Investment income	-3,039,431.33	

Item	Current Period	Previous Period
Total	2,489,881.08	2,267,521.59

6. Others

XI. Supplementary Information

1. Detailed statement of extraordinary gain and loss in the current period(+ for gain, - for loss)

Item	Amount	Remark
Gains or Losses on Disposal Non-Current Assets	-488,586.60	
Tax refund, deduction or exemption with unauthorized approval or without formal documents of approval		
Government grants included into current profit and losses (other than government grants closely related to enterprise business and granted by quota or quantity according to national unified standard)	380,800.00	
Fund occupancy expenses collected from non-financial enterprises and included in the current profit or loss		
Gains from differences between the investment costs of acquisition of subsidiaries, associates or joint ventures and the fair value of the share of identifiable net assets of the investments upon such investment		
Gains or losses from non-monetary assets exchange		
Gains or losses from commissioned investment or management on assets		
Provisions for impairment of various assets due to force majeure, such as natural disasters		
Gains or losses from debts restructuring		
Enterprise reorganizing expenses, such as employee accommodation costs and integration expenses		
Gains or losses from excess over fair value due to obvious unfair transaction price		
Current net gains or losses of subsidiaries acquired through business combination under common control from the beginning of current period till the date of consolidation		
Gains or losses on contingencies irrelevant to the Company's normal businesses		
Gains or losses from changes in fair value of financial assets or liabilities measured at fair value and changes through profit or losses, as well as investment income from disposal of financial assets or liabilities measured at fair value and changes through profit or losses and financial assets available-for-sale, other than those in valid hedging businesses related to the Company's normal businesses		

Item	Amount	Remark
Reversal of provisions for impairment of accounts receivable tested for impairment separately		
Gains or losses from external consigned loans		
Gains or losses on changes in fair value of investment property measured subsequently at fair value		
Gains or losses on changes in fair value of investment property measured subsequently at fair value		
Effect on current profit and losses of one-off adjustments to the current profit and loss in accordance with the requirements of laws and regulations regarding taxation or accounting		
Consigning income acquired from consigned operation		
Other non-operating income and costs other than above items		
Profit and loss of other items conforming to the definition of non-recurring gains and losses	-420,343.62	
Total extraordinary gain and loss (Total amount of impact on profit)	-528,130.22	
Less: Effect of income tax	-132,032.56	
Net extra ordinary gain and loss (Total amount of impact on net profit)	-396,097.66	
Including: impact on non-controlling shareholders profit or loss	-109,257.79	
Total impact on net profit attributable to ordinary shareholders	-286,839.87	

2. Detailed statement of extraordinary gain and loss in the last period(+ for gain, - for loss)

Item	Amount	Remark
Gains or Losses on Disposal Non-Current Assets	6,174,021.10	
Tax refund, deduction or exemption with unauthorized approval or without formal documents of approval		
Government grants included into current profit and losses (other than government grants closely related to enterprise business and granted by quota or quantity according to national unified standard)	610,000.00	
Fund occupancy expenses collected from non-financial enterprises and included in the current profit or loss		
Gains from differences between the investment costs of acquisition of subsidiaries, associates or joint ventures and the fair value of the share of identifiable net assets of the investments upon such investment	11,464,117.56	
Gains or losses from non-monetary assets exchange		

Item	Amount	Remark
Gains or losses from commissioned investment or management on assets		
Provisions for impairment of various assets due to force majeure, such as natural disasters		
Gains or losses from debts restructuring		
Enterprise reorganizing expenses, such as employee accommodation costs and integration expenses		
Gains or losses from excess over fair value due to obvious unfair transaction price		
Current net gains or losses of subsidiaries acquired through business combination under common control from the beginning of current period till the date of consolidation		
Gains or losses on contingencies irrelevant to the Company's normal businesses		
Gains or losses from changes in fair value of financial assets or liabilities measured at fair value and changes through profit or losses, as well as investment income from disposal of financial assets or liabilities measured at fair value and changes through profit or losses and financial assets available-for-sale, other than those in valid hedging businesses related to the Company's normal businesses		
Reversal of provisions for impairment of accounts receivable tested for impairment separately		
Gains or losses from external consigned loans		
Gains or losses on changes in fair value of investment property measured subsequently at fair value		
Gains or losses on changes in fair value of investment property measured subsequently at fair value		
Effect on current profit and losses of one-off adjustments to the current profit and loss in accordance with the requirements of laws and regulations regarding taxation or accounting		
Consigning income acquired from consigned operation		
Other non-operating income and costs other than above items	-3,932,410.58	
Profit and loss of other items conforming to the definition of non-recurring gains and losses		
Total extraordinary gain and loss (Total amount of impact on profit)	14,315,728.08	
Less: Effect of income tax	3,578,932.02	
Net extraordinary gain and loss (Total amount of impact on net profit)	10,736,796.06	

Item	Amount	Remark
Including: impact on non-controlling shareholders profit or loss	-522,872.59	
Total impact on net profit attributable to ordinary shareholders	11,259,668.65	

XII. Approval of Financial Statements

The company's financial statements for 2014 and 2015 were approved by the board of directors on 16 March 2016.

Chief Executive：

Jiangsu Nantong Sanjian Construction Group Co., Ltd

March 16th 2016

THE ISSUER

Jiangsu Nantong Sanjian International Co., Ltd.
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