

Strictly Confidential

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

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Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of any of the Issuer, the Joint Lead Managers, the Trustee or the Agents (each as defined in the attached Offering Circular) to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of them is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction.

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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.



CHENGDU HI-TECH INVESTMENT GROUP CO., LTD.

(成都高新投資集團有限公司)

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

U.S.\$300,000,000 6.280 PER CENT. NOTES DUE 2021

ISSUE PRICE: 99.409 PER CENT.

The 6.280 per cent. Notes due 2021 (the "Notes") will be issued in the aggregate principal amount of U.S.\$300,000,000 by Chengdu Hi-tech Investment Group Co., Ltd. (成都高新投資集團有限公司) (the "Issuer") and are in registered form in the denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

The Notes will bear interest from 14 November 2018 at the rate of 6.280 per cent. per annum. Interest on the Notes is payable in arrear on the Interest Payment Dates (as defined in "Terms and Conditions of the Notes") falling on 14 May and 14 November in each year, commencing on 14 May 2019.

The Notes will constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

The PRC government (including the Municipal Government of Chengdu (as defined herein)) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Notes in lieu of the Issuer. See "Risk Factors – Risks relating to the Notes – The PRC government has no obligations under the Notes."

Payments on the Notes will be made without withholding or deduction for taxes of the PRC to the extent described in "Terms and Conditions of the Notes – Taxation".

Unless previously redeemed, or purchased and cancelled, the Issuer will redeem the Notes at their principal amount on 14 November 2021 (the "Maturity Date"). The Notes are subject to redemption, in whole but not in part, at their principal amount, together with accrued interest, at the option of the Issuer at any time in the event of certain changes affecting taxes of the PRC. See "Terms and Conditions of the Notes – Redemption and Purchase – Redemption for tax reasons". Furthermore, at any time following the occurrence of a Relevant Event (as defined in "Terms and Conditions of the Notes"), each Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all but not some only of such Noteholder's Notes on the Put Settlement Date (as defined in "Terms and Conditions of the Notes") at 101 per cent. (in the case of a Change of Control) (as defined in "Terms and Conditions of the Notes") or 100 per cent. (in the case of a Non-Registration Event (as defined in "Terms and Conditions of the Notes")) of their principal amount, together with accrued interest to (but not including) such Put Settlement Date. See "Terms and Conditions of the Notes – Redemption and Purchase – Redemption for a Relevant Event".

Pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015] 2044號)) (the "NDRC Circular") issued by the National Development and Reform Commission of the PRC or its local counterparts ("NDRC") on 14 September 2015 which came into effect on the same day, the Issuer has registered the issuance of the Notes with the NDRC and obtained a certificate from the NDRC on 24 July 2018 evidencing such registration and which remains in full force and effect. The Issuer intends to provide the requisite information and documents on the issuance of the Notes to the NDRC within the prescribed timeframe after the Issue Date.

The Issuer will undertake to file or cause to be filed with SAFE the requisite information and documents within the prescribed timeframe in accordance with (i) the Administrative Measures for Foreign Debt Registration (《外債登記管理辦法》) issued by the State Administration of Foreign Exchange of the PRC or its local counterparts ("SAFE") and which came into effect on 13 May 2013, and (ii) the Circular on Relevant Matters about the Macro-Prudential Management of Cross-Border Financing in Full Aperture (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》) issued by the People's Bank of China of the PRC ("PBOC") and which came into effect on 12 January 2017 and any implementation rules, reports, certificates, approvals or guidelines as issued by the SAFE or the PBOC, as the case may be, from time to time (the "SAFE Filing"), and to comply with all applicable PRC laws and regulations in relation to the Notes.

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

The HKSE has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Notes on the HKSE is not to be taken as an indication of the commercial merits or credit quality of the Notes or the Issuer or quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the HKSE take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular. You are advised to read and understand the contents of this Offering Circular before investing. If in doubt, you should consult your advisor.

Investing in the Notes involves certain risks. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in the Offering Circular and the merits and risks of investing in the Notes in the context of their financial position and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in the Notes. Investors should not purchase the Notes unless they understand and are able to bear risks associated with the Notes. See "Risk Factors" beginning on page 12 for a description of certain factors to be considered in connection with an investment in the Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and, subject to certain exceptions, may not be offered or sold within the United States and are only being offered and sold outside the United States in compliance with Regulation S under the Securities Act ("Regulation S"). For a description of these and certain restrictions on offers and sales of the Notes and the distribution of this Offering Circular, see "Subscription and Sale".

The Notes will be represented by beneficial interests in a global note certificate (the "Global Note Certificate") in registered form, which will be registered in the name of a nominee of, and deposited on or about 14 November 2018 (the "Issue Date") with, a common depository for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Beneficial interests in the Global Note Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream.

The Notes are to be rated "Baa3" by Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors ("Moody's"), respectively. Such rating of the Notes does not constitute a recommendation by Moody's to buy, sell or hold the Notes and may be subject to suspension, reduction, revision or withdrawal at any time by Moody's. Such rating should be evaluated independently of any other rating of the other securities of the Issuer or of the Issuer.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

China International
Capital Corporation

HSBC

Guotai Junan
International

Haitong International

CEB
International

Joint Lead Managers and Joint Bookrunners

Bank of
China

Cinda
International

Orient Securities
(Hong Kong)

EBS
International

China CITIC Bank
International

ICBC
International

CCB International

Offering Circular dated 6 November 2018

IMPORTANT NOTICE

The Issuer, having made all reasonable enquiries, accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms that to the best of its knowledge and belief that (i) this Offering Circular (including any amendments and supplements thereto) contains all information with respect to the Issuer, its subsidiaries (together with the Issuer, the “**Group**”), and the Notes which is material in the context of the issue, offering, sale, marketing or distribution of the Notes (including all information which, according to the particular nature of the Issuer and the Group and of the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Group and of the rights attaching to the Notes), (ii) this Offering Circular does not, contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, (iii) the statements of fact contained in this Offering Circular are in every material respect true and accurate and not misleading and there are no other facts in relation to the Issuer, the Group, the Notes, the omission of which would in the context of the issue, offering, sale, marketing and distribution of the Notes make any statement in this Offering Circular misleading, (iv) the statements of intention, opinion, belief or expectation contained in this Offering Circular are honestly and reasonably made or held and have been reached after considering all relevant circumstances and based on reasonable assumptions, (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements, and (vi) all descriptions of contracts or other material documents described in this Offering Circulars are accurate descriptions in all material respects and fairly summarise the contents of such contracts or documents.

The PRC government (including the Municipal Government of Chengdu (as defined herein)) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Notes in lieu of the Issuer. Any reference to government support in this Offering Circular should not be read as indication that financial support will be given in respect of the Issuer’s obligations under the Notes.

This Offering Circular has been prepared by the Issuer solely for use in connection with the proposed offering of the Notes described in this Offering Circular. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, China International Capital Corporation Hong Kong Securities Limited, The Hongkong and Shanghai Banking Corporation Limited, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, CEB International Capital Corporation Limited, Bank of China Limited, Cinda International Capital Limited, Orient Securities (Hong Kong) Limited, China Everbright Securities (HK) Limited, China CITIC Bank International Limited, ICBC International Securities Limited and CCB International Capital Limited (each, a “**Joint Lead Manager**” and together, the “**Joint Lead Managers**”), the Trustee and the Agents (as defined in “*Terms and Conditions of the Notes*”) to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Notes or the possession or distribution of this Offering Circular or any offering or publicity material relating to the Notes in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and the distribution of this Offering Circular, see “*Subscription and Sale*”. This Offering Circular does not constitute an offer of, or an invitation to purchase, any of the Notes in any jurisdiction in which such offer or invitation would be unlawful. By purchasing the Notes, investors represent and agree to all of those provisions contained in that section of this Offering Circular.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are ‘prescribed

capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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

No person has been or is authorised in connection with the issue, offer, sale, marketing or distribution of the Notes to give any information or to make any representation concerning the Issuer, the Group, the Notes other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Group, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, officers, representatives, directors, employees, agents or advisers. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer or the Group, or any of them since the date hereof or create any implication that the information contained herein is correct as of any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Joint Lead Managers the Trustee or the Agents or any of their respective affiliates, officers, representatives, directors, employees, agents or advisers to subscribe for or purchase, any of the Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular is being furnished by the Issuer in connection with the offering of the Notes exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider purchasing the Notes. Investors must not use this Offering Circular for any other purpose, make copies of any part of this Offering Circular or give a copy of it to any other person, or disclose any information in this Offering Circular to any other person. The information contained in this Offering Circular has been provided by the Issuer and other sources identified in this Offering Circular. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Notes offered by this Offering Circular is prohibited. Each offeree of the Notes, by accepting delivery of this Offering Circular, agrees to the foregoing.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, officers, representatives, directors, employees, agents or advisers as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Notes, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, officers, representatives, directors, employees, agents or advisers. The Joint Lead Managers, the Trustee and the Agents and their respective affiliates, officers, representatives, directors, employees, agents or advisers have not independently verified any of the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, officers, representatives, directors, employees, agents or advisers accepts any responsibility for the contents of this Offering Circular or any statement made or purported to be made by any such person or on its behalf in connection with the Issuer, the Group, the issue and offering of the Notes. Each of the Joint Lead Managers, the Trustee, the Agents and their respective

affiliates, officers, representatives, directors, employees, agents or advisers accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, officers, representatives, directors, employees, agents or advisers undertakes to review the financial condition or affairs of the Issuer or the Group 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 Joint Lead Managers, the Trustee, the Agents or their respective affiliates, officers, representatives, directors, employees, agents or advisers.

This Offering Circular is not intended to provide the basis of any credit or other evaluation, nor should it be considered as a recommendation by the Issuer, the Joint Lead Managers, the Trustee or the Agents that any recipient of this Offering Circular should purchase the Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

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

Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult his or her adviser.

IN CONNECTION WITH THE ISSUE OF THE NOTES, ANY OF THE JOINT LEAD MANAGERS APPOINTED AS AND ACTING IN ITS CAPACITY AS THE STABILISING MANAGER (OR ANY PERSON(S) ACTING ON BEHALF OF SUCH JOINT LEAD MANAGER) (THE “STABILISING MANAGER”) MAY OVER-ALLOT THE NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO OBLIGATION ON SUCH STABILISING MANAGER TO DO THIS. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH STABILISING SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

Listing of the Notes on the HKSE is not to be taken as an indication of the merits of the Issuer, the Group or the Notes. In making an investment decision, investors must rely on their own examination of the Issuer and the Group and the terms of the offering of the Notes, including the merits and risks involved. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Notes. The Issuer, the Group, the Joint Lead Managers, the Trustee and the Agents and their respective affiliates, officers, representatives, directors, employees, agents or advisers are not making any representation to any purchaser of the Notes regarding the legality of any investment in the Notes by such purchaser under any legal investment or similar laws or regulations. The contents of this Offering Circular should not be construed as providing legal, business, accounting or investment advice. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, officers, representatives, directors, employees, agents or advisers in connection with its investigation of the accuracy of such information or its investment decision.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Issuer believes this information to be reliable, such information has not been independently verified by the Issuer, the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, officers, representatives, directors, employees, agents or advisers, and none of the Issuer, the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, officers, representatives, directors, employees, agents or advisers makes 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. This Offering Circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents.

The contents of this Offering Circular have not been reviewed by any regulatory authority in any jurisdiction. Investors are advised to exercise caution in relation to the offer. If investors are in any doubt about any of the contents of this Offering Circular, investors should obtain independent professional advice.

PRESENTATION OF FINANCIAL INFORMATION

The Offering Circular contains the audited consolidated financial information of the Issuer as at and for the years ended 31 December 2015, 2016 and 2017, which is derived from its audited consolidated financial statements as at and for the years ended 31 December 2016 and 2017 (the “**Issuer Audited Financial Statements**”) included elsewhere in this Offering Circular, and have been prepared in accordance with the Accounting Standards for Business Enterprises in China (“**PRC GAAP**”) and have been audited by Sichuan Huaxin (Group) CPA Firm.

The Offering Circular contains the unaudited but reviewed consolidated interim financial information of the Issuer as at and for the six months ended 30 June 2017 and 2018, which is derived from its unaudited but reviewed consolidated financial statements as at and for the six months ended 30 June 2018 (the “**Issuer Reviewed Interim Financial Statements**”) included elsewhere in this Offering Circular, and which has been reviewed by Sichuan Huaxin (Group) CPA Firm. Such financial information has not been audited and should not be relied upon by potential investors to provide the same type or quality of information associated with information that has been subject to an audit. Accordingly, potential investors must exercise caution when using such data to evaluate the Group’s financial position, results of operations and cash flows. Such unaudited consolidated interim financial information as at and for the six months ended 30 June 2018 should not be taken as an indication of the expected financial condition, results of operations and cash flows of the Group for the full financial year ending 31 December 2018.

The Group publishes its interim financial information from time to time. Such financial information published by the Group in the PRC is normally derived from its management accounts and is not audited or reviewed by independent auditors. As such, financial information published in the PRC by the Group should not be relied upon by potential purchasers to provide the same quality of information associated with any audited information. Such financial information is not included in this Offering Circular and should not be relied upon by any investors in making their investment decisions in the Notes.

Unless otherwise stated, all financial information contained herein which is stated as relating to the Issuer refers to the consolidated financial information of the Group.

PRC GAAP differs in certain material respects from the International Financial Reporting Standards (“**IFRS**”). For a discussion of certain differences between PRC GAAP and IFRS, see “*Summary of Significant Differences between PRC GAAP and IFRS*”.

CERTAIN DEFINITIONS AND CONVENTIONS

Unless the context otherwise requires, references in this Offering Circular to “**Renminbi**”, “**CNY**” and “**RMB**” are to the lawful currency of the PRC, “**U.S. dollars**”, “**U.S.\$**” and “**USD**” are to the lawful currency of the United States of America (the “**United States**”), “**PRC**” and “**China**” are to the People’s Republic of China which for the purpose of this Offering Circular excludes Hong Kong, Macau and Taiwan, “**Hong Kong**” are to the Hong Kong Special Administrative Region of the PRC, and “**Macau**” are to the Macau Special Administrative Region of the PRC.

Solely for convenience, this Offering Circular contains translations of certain Renminbi amounts into U.S. dollars at specified rates. Unless indicated otherwise, the translation of Renminbi into U.S. dollars has been made at the rate of RMB6.6171 to U.S.\$1.00, the noon buying rate in effect on 29 June 2018 as set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States (the “**Federal Reserve Board**”). Further information on exchange rates is set forth in “**Exchange Rate Information**” in this Offering Circular. Investors should not construe these translations as representations that the Renminbi amounts have been, could have been or could actually be converted into any U.S. dollar.

Unless the context otherwise requires, references in this Offering Circular to the “**Terms and Conditions of the Notes**” are to the terms and conditions governing the Notes, as set out in “*Terms and Conditions of the Notes*”.

In this Offering Circular, 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 apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

Unless specified otherwise, references in this Offering Circular to, and financial and other information presented with respect to, the Group are to such information of the Issuer compiled on a consolidated basis.

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 this Offering Circular, references to:

- the “**Group**” are to the Issuer and its subsidiaries taken as a whole;
- the “**Issuer**” or the “**Company**” are to Chengdu Hi-tech Investment Group Co., Ltd. (成都高新投資集團有限公司);
- “**MOFCOM**” are to the Ministry of Commerce of the PRC or its competent local counterpart;
- “**NDRC**” are to the National Development and Reform Commission of the PRC or its competent local counterpart;
- “**SASAC**” are to State-owned Assets Supervision and Administration Commission of the PRC or its competent local counterpart; and
- “**State Council**” are to the state council of the PRC.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes “forward-looking statements”. All statements other than statements of historical fact contained in this Offering Circular, including, without limitation, those regarding the Group’s future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where the Group participates or is seeking to participate, and any statements preceded by, followed by or that include the words “believe”, “expect”, “aim”, “intend”, “will”, “may”, “anticipate”, “seek”, “should”, “estimate” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond the Group’s control, which may cause its actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the Group’s present and future business strategies and the environment in which the Group will operate in the future. Important factors that could cause the Group’s actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- the risks inherent to the industries in which the Group operates;
- the business and operating strategies and the future business development of the Group;
- the general economic, political, social conditions and developments in the PRC;
- changes in competitive conditions and the Group’s ability to compete under these conditions, including the actions and developments of competitors;
- the Group’s operations and business prospects;
- the Group’s capital expenditure and development plans;
- the Group’s expectations with respect to its ability to acquire and maintain regulatory qualifications required to operate its business;
- the availability and charges of bank loans and other forms of financing;
- the Group’s financial condition and results of operations;
- the Group’s dividend distribution plans;
- changes or volatility in currency exchange rates, interest rates, taxes and duties, equity prices or other rates or prices, including those pertaining to the PRC;
- changes in the laws, rules and regulations of the governments in the PRC and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Group’s business;
- macroeconomic policies of the PRC government; and
- other factors beyond the Group’s control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in “*Risk Factors*” and elsewhere in this Offering Circular. The Issuer cautions investors not to place undue reliance on these forward-looking statements which reflect their managements’ view only as of the date of this Offering Circular.

The Issuer does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur.

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SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to prospective investors in deciding whether to invest in the Notes. Prospective investors should read the entire Offering Circular, including the section entitled "Risk Factors" and the financial statements and related notes thereto, before making an investment decision.

OVERVIEW

The Group was established in 1996 and is primarily responsible for the construction of infrastructure and development of industrial parks. The Group plays a key role in supporting and promoting the economic and social development of Chengdu. As at 30 June 2018, the Group is the largest infrastructure construction and development company in the Chengdu Hi-tech Industrial Development Zone (成都高新技術產業開發區)(the “**Chengdu Hi-Tech Zone**” or “**Hi-Tech Zone**”).

As at 30 June 2018, the registered capital of the Group is approximately RMB20.7 billion. The Issuer is a state-owned company wholly-owned by the Administrative Committee of Chengdu Hi-tech Industrial Development Zone (成都高新技術產業開發區管理委員會)(the “**Chengdu Hi-tech Administrative Committee**”). Chengdu Hi-tech Administrative Committee is the local representative agent acting on behalf of Chengdu Municipal Government and has the authority to supervise governmental, economic and administrative matters in relation to the Chengdu Hi-Tech Zone.

As at 31 December 2015, 2016 and 2017 and as at 30 June 2018, the Group’s total assets was RMB32,838.9 million, RMB37,380.0 million, RMB43,408.2 million, and RMB48,070.3 million respectively. For the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2017 and 2018, the Issuer’s total revenue was RMB5,519.7 million, RMB4,488.5 million, RMB3,465.3 million, RMB905.0 million and RMB1,064.2 million, respectively. For the years ended 31 December 2015, 2016 and 2017, the Issuer’s net profit was RMB86.6 million, RMB887.0 million, RMB87.8 million, respectively. For the six months ended 30 June 2017 and 2018, the Issuer reported net loss of RMB98.9 million and RMB85.4 million, respectively.

Currently, the Group focuses on five business segments, namely Hi-Tech Zone development, infrastructure construction, commercial property and residential development, merchandise sales and financial services and others.

COMPETITIVE STRENGTHS

The Group believes that it possesses the following competitive strengths that contribute to its success and future development:

- Well-positioned to benefit from Chengdu’s economic strength and Chengdu Hi-Tech Zone’s growing opportunities;
- A key contributor towards the development of the Hi-Tech Zone through constructing public welfare projects and building close and collaborative relationship with the local government;
- Industrial parks’ high occupancy rate generates stable cash flow and constant growth which is boosted by rising sectors;
- Sound and stable financial performance coupled with diversified funding channels; and
- Effective corporate governance implemented by the management team with extensive experience and sector expertise.

BUSINESS STRATEGIES

The Group aims to strengthen its position by focusing on the following strategies:

- Continue to carry on its mission in developing the Chengdu Hi-Tech Zone and to enhance its commercial attractiveness;
- Adhere to prudent financial management policies with stringent risk control;
- Explore new financing channels; and
- Enhance management capability and improve corporate governance structure.

THE OFFERING

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

Issuer	Chengdu Hi-tech Investment Group Co., Ltd. (成都高新投資集團有限公司)(Legal Entity Identifier: 3003007DVF9FE4D0JJ37)
Notes.	U.S.\$300,000,000 6.280 per cent. Notes due 2021.
Issue Price.	99.409 per cent.
Form and	
Denomination	The Notes will be issued in registered form in the denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
Interest	The Notes will bear interest from 14 November 2018 at the rate of 6.280 per cent. per annum payable semi-annually in arrear on the Interest Payment Dates falling on 14 May and 14 November in each year, commencing on 14 May 2019.
Issue Date	14 November 2018.
Maturity Date	14 November 2021.
Status of the Notes	The Notes when issued will constitute direct, general and unconditional obligations of the Issuer which will at all times rank <i>pari passu</i> among themselves and at least <i>pari passu</i> with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Negative Pledge	The Notes will contain a negative pledge provision as further described in Condition 3(a) (<i>Negative pledge</i>) of the Terms and Conditions of the Notes.

NDRC Post-issue

Filing The Issuer will undertake to file or cause to be filed with the NDRC the requisite information and documents within the prescribed timeframe in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015] 2044號)) issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time (the “**NDRC Post-issue Filing**”).

The Issuer will undertake to comply with all applicable PRC laws and regulations in connection with the issuance of the Notes and shall, within five PRC Business Days after submission of such NDRC Post-issue Filing, (i) provide the Trustee with a certificate signed by any Authorised Signatory of the Issuer confirming the submission of the NDRC Post-issue Filing (together with the document(s) filed with the NDRC) and (ii) give notice to the Noteholders in accordance with Condition 15 (*Notices*) of the Terms and Conditions of the Notes of the same.

SAFE Filing The Issuer will undertake to file or cause to be filed with SAFE the requisite information and documents within the prescribed timeframe in accordance with (i) the Administrative Measures for Foreign Debt Registration (《外債登記管理辦法》) issued by SAFE and which came into effect on 13 May 2013, and (ii) the Circular on Relevant Matters about the Macro-Prudential Management of Cross-Border Financing in Full Aperture (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》) issued by the PBOC and which came into effect on 12 January 2017 and any implementation rules, reports, certificates, approvals or guidelines as issued by the SAFE or the PBOC, as the case may be, from time to time (the “**SAFE Filing**”), and to comply with all applicable PRC laws and regulations in relation to the Notes.

The Issuer will undertake to complete the SAFE Filing and within five PRC Business Days after SAFE has notified it of the completion of the SAFE Filing, (i) provide the Trustee with a certificate signed by an Authorised Signatory of the Issuer confirming the completion of the SAFE Filing (together with the document(s) (x) evidencing due filing with SAFE and (y) issued by SAFE evidencing the completion of the SAFE Filing) and (ii) give notice to the Noteholders in accordance with Condition 15 (*Notices*) of the Terms and Conditions of the Notes of the same.

Redemption

at Maturity Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on the Maturity Date.

Taxation

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

Where such withholding or deduction is made by the Issuer by or within the PRC up to and including the rate applicable on 6 November 2018 (the “**Applicable Rate**”), the Issuer will pay such additional amounts as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required.

In the event that the Issuer is required to make a withholding or deduction by or within the PRC, in excess of the Applicable Rate, the Issuer shall pay such additional amounts (the “**Additional Tax Amounts**”) as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Tax Amounts shall be payable in respect of any Note in the circumstances set out in Condition 7 (*Taxation*) of the Terms and Conditions of the Notes.

Redemption for Tax

Reasons

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

- (i) the Issuer has or will become obliged to pay Additional Tax Amounts as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 6 November 2018; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

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

Redemption for a

Relevant Event

At any time following the occurrence of a Relevant Event, each Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all but not some only of that Noteholder's Notes on the Put Settlement Date at 101 per cent. of their principal amount (in the case of a Change of Control) or at 100 per cent. of their principal amount (in the case of a Non-Registration Event), in each case, together with accrued interest to (but not including) such Put Settlement Date, as further described in Condition 5(c) (*Redemption for a Relevant Event*) of the Terms and Conditions of the Notes.

a "**Change of Control**" occurs when (i) the Controlling Person(s), together cease to, directly or indirectly, have Control of the Issuer or (ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person or Persons, acting together, except where such Person(s) is/are Controlled, directly or indirectly, by the Controlling Person(s);

"**Control**" of any Person means (i) the ownership, acquisition or control of 100 per cent. of the voting rights of the issued share capital of such Person, whether obtained directly or indirectly, (ii) the right to appoint and/or remove all members of such Person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise or (iii) the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of such Person; and the terms "Controlling" and "Controlled" shall have the meanings correlative to the foregoing;

"**Controlling Person(s)**" mean (i) the Chengdu Hi-tech Industrial Development Zone Bureau of Finance and Financial Services (成都高新技術產業開發區財政金融局), (ii) the Administration Committee of the Gaixin District of Chengdu City (成都市高新區管理委員會), (iii) the government of the PRC, and (iv) any other Person directly or indirectly Controlled by the government of the PRC;

a "**Non-Registration Event**" occurs when the Registration Condition has not been satisfied on or prior to the SAFE Registration Deadline;

"**Registration Condition**" means (i) the completion of the SAFE Filing as set out in Condition 3(d) (*SAFE Filing*) of the Terms and Conditions of the Notes on or prior to the SAFE Registration Deadline, and (ii) the receipt by the Trustee of the certificate (together with the document(s) (x) evidencing due filing with SAFE and (y) issued by SAFE evidencing the completion of the SAFE Filing); and

a "**Relevant Event**" means a Change of Control or a Non-Registration Event.

Events of Default	Upon the occurrence of certain events as described in Condition 8 (<i>Events of Default</i>) of the Terms and Conditions of the Notes, the Trustee at its discretion may and, if so requested in writing by holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality.
Cross-Acceleration	The Notes will contain a cross-acceleration provision as further described in Condition 8(c) (<i>Cross-acceleration of Issuer or Subsidiary</i>) of the Terms and Conditions of the Notes.
Clearing Systems	The Notes will be represented by beneficial interests in the Global Note Certificate in registered form, which will be registered in the name of a nominee of, and deposited on or about the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Note Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream.
Common Code	190131866.
ISIN	XS1901318664.
Governing Law	English law.
Listing	Application will be made to the HKSE for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only and such permission is expected to become effective on or about 15 November 2018.
Use of Proceeds	See “ <i>Use of Proceeds</i> ”.
Ratings	The Notes are to be rated “Baa3” by Moody’s. Such rating of the Notes does not constitute a recommendation by Moody’s to buy, sell or hold the Notes and may be subject to suspension, reduction, revision or withdrawal at any time by Moody’s. Such rating should be evaluated independently of any other rating of the other securities of the Issuer or of the Issuer.
Further Issues	The Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest and the timing to perform and complete the NDRC Post-issue Filing and the SAFE Filing) so as to form a single series with the Notes, as further described in Condition 14 (<i>Further Issues</i>) of the Terms and Conditions of the Notes.
Selling Restrictions	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States, the United Kingdom, Hong Kong, the PRC, Singapore and Japan, see “ <i>Subscription and Sale</i> ” below.

SUMMARY FINANCIAL INFORMATION OF THE GROUP

The following tables set forth the summary consolidated financial information of the Group as of and for the periods indicated. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, these consolidated financial statements, including the notes thereto.

The summary consolidated financial information of the Group as at and for the years ended 31 December 2015, 2016 and 2017, as set forth below, is derived from its audited consolidated financial statements as at and for the years ended 31 December 2016 and 2017, which are included elsewhere in this Offering Circular. The audited consolidated financial statements of the Group as at and for the years ended 31 December 2016 and 2017 have been audited by Sichuan Huaxin (Group) CPA Firm and prepared and presented in accordance with PRC GAAP.

The summary consolidated financial information of the Group at of and for the six months ended 30 June 2018, as set forth below, is derived from its unaudited but reviewed consolidated financial statements as at and for six months ended 30 June 2018 included elsewhere in this Offering Circular. The unaudited but reviewed consolidated financial statements of the Group as at and for the six months ended 30 June 2018 have been reviewed by Sichuan Huaxin (Group) CPA Firm and prepared and presented in accordance with PRC GAAP. Such financial information has not been audited and should not be relied upon by potential investors to provide the same type or quality of information associated with information that has been subject to an audit. Accordingly, potential investors must exercise caution when using such data to evaluate the Group's financial position, results of operations and cash flows. Such unaudited consolidated interim financial information as at and for the six months ended 30 June 2018 should not be taken as an indication of the expected financial condition, results of operations and cash flows of the Group for the full financial year ending 31 December 2018.

The Group publishes its interim financial information from time to time. Such financial information published by the Group in the PRC is normally derived from its management accounts and is not audited or reviewed by independent auditors. Such financial information is not included in this Offering Circular and should not be relied upon by any investors to make their investment decisions in the Notes.

Historical results of the Group are not necessarily indicative of results that may be achieved for any future period. The Group's financial statements have been prepared and presented in accordance with PRC GAAP. PRC GAAP differs in certain material respects from IFRS. For a discussion of certain differences between PRC GAAP and IFRS, see "Summary of Significant Differences between PRC GAAP and IFRS".

Summary Consolidated Income Statement

	For the year ended 31 December			For the six months ended 30 June	
	2015	2016	2017	2017	2018
			(RMB)		
I. Total revenues	5,519,713,424.68	4,488,478,281.65	3,465,329,059.24	905,000,289.48	1,064,217,830.67
Including: Operating revenues	5,418,155,332.34	4,456,113,230.67	3,448,331,518.83	898,846,240.44	1,052,409,480.82
Interest income	64,427,182.12	24,769,464.33	14,301,750.34	4,646,143.37	10,831,932.85
Insurance premiums earned	37,130,910.22	7,595,586.65	2,695,790.07	1,507,905.67	976,417.00
II. Total costs	5,483,264,340.31	4,518,190,330.48	3,773,496,109.41	1,095,438,607.56	1,339,825,203.09
Including: Operating costs	3,860,264,623.33	3,204,748,974.42	2,646,122,181.24	690,926,263.65	845,521,623.47
Interest expenses	7,037,338.00	175,388.89	-	-	-
Handing charges and commissions expenses	6,027.84	3,847.80	3,752.20	2,462.00	2,784.44
Net payments for insurance claims	2,333,448.92	883,395.39	72,890,054.96	-	364,003.40
Net provision for insurance contracts	221,038,664.34	110,691,856.86	(36,879,701.52)	100,046.22	100,844.26
Amortized deposit for duty	-	(105,020.00)	-	-	-
Cession charges	-	195,539.62	34,837.73	34,837.73	97,922.82
Tax and surcharge	496,807,865.33	409,412,193.64	317,832,505.94	74,691,647.79	74,107,683.08
Selling and distribution expenses	143,727,961.94	126,905,619.92	124,674,531.71	60,354,230.55	60,941,807.99
General and administrative expenses	219,609,968.77	215,568,397.49	239,454,964.91	112,138,296.54	119,827,752.82
Financial expenses	461,467,243.77	445,423,795.50	370,503,843.92	157,244,282.97	232,376,841.04
Asset impairment loss	70,971,198.07	4,286,340.95	38,859,138.32	(53,459.89)	6,483,939.77
Add: Gains from changes in fair value (loss expressed with “-”)	17,647,000.94	(2,161,019.85)	33,384,689.58	25,539,325.50	1,274.84
Investment income (loss expressed with “-”)	85,320,385.93	858,494,695.88	339,052,833.54	66,179,079.69	185,852,780.90
Including: Investment income from joint ventures and associated enterprises	(57,635,331.63)	256,769,803.66	300,400,083.62	49,769,386.40	175,606,265.51
Asset disposal income (loss expressed with “-”)	1,057.03	1,313,092.71	271,278.97	-	3,888,299.90
Other income	-	-	37,571,087.26	4,217,300.00	8,738,425.00
III. Profit from operations (loss expressed with “-”)	139,417,528.27	827,934,719.91	102,112,839.18	(94,502,612.89)	(77,126,591.78)
Add: Non-operating income	101,067,336.46	159,114,480.60	16,274,388.18	2,091,278.84	2,331,897.23
Less: Non-operating expenses	30,706,159.74	43,196,321.55	3,258,214.08	1,590,389.82	972,464.78
IV. Profit before tax (loss expressed with “-”)	209,778,704.99	943,852,878.96	115,129,013.28	(94,001,723.87)	(75,767,159.33)
Less: Income tax expenses	123,186,361.90	56,803,548.31	27,307,914.26	4,922,785.53	9,650,777.53
V. Net profit (loss expressed with “-”)	86,592,343.09	887,049,330.65	87,821,099.02	(98,924,509.40)	(85,417,936.86)
1. Profit classified as continuity					
1) Continuous operating profit and loss	86,592,343.09	887,049,330.65	87,821,099.02	(98,924,509.40)	(85,417,936.86)
2. Profit classified as ownership					
1) Net profit attributable to parent company	59,644,381.75	840,683,031.85	73,452,310.47	(108,535,400.53)	(95,131,767.38)
2) Profit/loss attributable to minority share-holders	26,947,961.34	46,366,298.80	14,368,788.55	9,610,891.13	9,713,830.52
VI. Other comprehensive income after tax	(50,974,216.46)	(126,754,257.85)	(6,188,774.03)	(948,070.65)	(11,966.48)
Other Comprehensive income after tax attributable to parent company	(20,016,294.09)	(99,132,631.65)	(5,693,128.41)	19,404.76	(22,223.45)
1. Comprehensive income to be reclassified as profit or loss	(20,016,294.09)	(99,132,631.65)	(5,693,128.41)	19,404.76	(22,223.45)
1) Portion of comprehensive income to be reclassified as profit or loss under equity method	34,532,528.01	20,201.73	16,478.80	(876.02)	(36,944.42)
2) Gain or loss from fair value changes of available-for-sale financial assets	(55,456,305.99)	(57,053,334.83)	(5,709,607.21)	20,280.78	14,720.97
3) Currency translation reserve	907,483.89	(42,099,498.55)	-	-	-
Other comprehensive income attributable to minority share-holders after tax	(30,957,922.37)	(27,621,626.20)	(495,645.62)	(967,475.41)	10,256.97
VII. Total comprehensive income	35,618,126.63	760,295,072.80	81,632,324.99	(99,872,580.05)	(85,429,903.34)
Total comprehensive income attributable to parent company	39,628,087.66	741,550,400.20	67,759,182.06	(108,515,995.77)	(95,153,990.83)
Total comprehensive income attributable to minority share-holders	(4,009,961.03)	18,744,672.60	13,873,142.93	8,643,415.72	9,724,087.49

Summary Consolidated Balance Sheet

	For the year ended 31 December			For the six months ended 30 June
	2015	2016	2017	2018
	(RMB)			
Current assets:				
Monetary funds	5,338,978,921.93	5,893,032,839.37	6,280,131,452.76	6,134,135,333.29
Financial assets measured by fair value and the changes included in the current gains and losses	58,347,535.95	56,186,516.10	42,292.86	–
Notes receivable	3,165,268.64	–	4,643,372.43	–
Accounts receivable	881,821,992.60	795,325,250.04	1,202,204,686.16	1,223,968,877.25
Prepayment	63,820,794.76	41,221,491.24	31,726,161.12	43,744,117.07
Provision of cession receivable	–	202,789.81	237,808.68	401,569.57
Interests receivable	11,316,832.77	8,066,063.89	4,756,832.68	4,141,111.11
Dividend receivable	7,386,736.47	7,091,717.63	–	13,873,233.53
Other accounts receivable	2,578,850,031.03	2,755,772,026.12	3,763,647,116.98	3,814,595,229.34
Inventory	8,295,807,599.28	7,022,492,776.31	7,916,671,121.23	10,376,145,761.38
Non-current assets coming due within 1 year	10,000,000.00	–	445,000,000.00	510,000,000.00
Other current assets	320,805,276.90	187,774,938.02	301,188,953.36	602,620,510.49
Total current assets	17,570,300,990.33	16,767,166,408.53	19,950,249,798.26	22,723,625,743.03
Non-current assets:				
Loans and payments on behalf	308,569,907.73	203,421,821.20	208,988,762.56	223,623,707.42
Available-for-sale financial assets	428,479,677.61	484,829,140.91	667,991,846.57	796,398,745.54
Long-term accounts receivable	240,901,486.69	197,558,320.49	43,912,609.60	43,912,609.60
Long-term equity investments	2,501,046,192.28	3,780,009,402.14	3,792,589,099.58	4,085,637,295.64
Investment real estate	10,018,658,464.02	11,456,758,637.96	11,757,678,568.01	11,711,616,139.01
Fixed assets	261,754,508.03	289,439,535.23	265,512,396.66	259,461,129.96
Construction in progress	94,081,840.24	80,432,923.41	1,891,374,605.80	3,894,441,340.30
Intangible assets	70,882,942.73	69,111,867.41	66,596,580.64	65,134,229.34
Research and development costs	–	–	–	482,588.53
Long-term unamortized expenses	5,996,321.49	15,752,588.37	7,439,076.92	6,922,391.95
Deferred income tax assets	129,198,888.47	189,010,137.76	141,011,027.81	142,240,579.33
Other non-current assets	1,209,057,309.44	3,846,466,809.44	4,614,854,269.84	4,116,770,381.09
Total Non-current assets	15,268,627,538.73	20,612,791,184.32	23,457,948,843.99	25,346,641,137.71
Total assets	32,838,928,529.06	37,379,957,592.85	43,408,198,642.25	48,070,266,880.74
Current liabilities:				
Short-term loan	771,764,158.14	250,000,000.00	500,000,000.00	–
Accounts payable	3,082,696,918.21	2,357,230,633.32	3,016,440,987.97	3,027,926,061.03
Advance from customers	1,024,958,914.27	434,429,023.87	331,915,152.98	351,379,510.32
Payroll payable	48,693,101.21	43,157,175.55	57,547,676.53	67,116,814.25
Taxes payable	216,368,066.5	152,930,116.58	256,397,130.66	24,571,373.58
Interests payable	29,857,685.66	29,852,331.08	59,216,714.23	160,347,875.47
Dividends payable	578,359.32	578,359.32	578,359.32	750,048.98
Other accounts payable	3,887,095,787.74	4,582,733,167.31	3,919,308,517.16	4,204,412,631.38
Provision for insurance contracts	503,591,784.37	614,381,411.04	653,643,627.66	653,908,232.81
Non-current liabilities coming due within 1 year	2,886,950,000.00	3,900,113,902.86	8,664,457,350.00	8,414,184,960.00
Other current liabilities	399,878,229.18	24,211,233.36	244,844,456.18	562,150,974.37
Total current liabilities	12,852,433,004.60	12,389,617,354.29	17,704,349,972.69	17,466,748,482.19
Non-current liabilities:				
Long-term loan	6,755,510,000.00	9,974,022,500.00	7,200,161,250.00	11,603,615,000.00
Bonds payable	417,472,996.74	278,466,593.24	2,087,526,074.08	2,337,928,546.11
Perpetual debt	–	–	–	–
Long-term payable	240,193,314.30	181,534,179.31	96,500,014.34	316,701,547.22
Long-term payroll payable	1,032,007.36	1,569,672.56	1,598,142.47	1,377,258.17
Specific payable	167,739,374.53	178,999,751.38	157,231,695.94	157,390,124.38
Estimated liabilities	79,883,058.93	79,847,318.50	79,640,773.95	79,640,773.95
Deferred income	23,986,833.07	18,506,253.45	31,283,956.19	31,196,456.21
Deferred liabilities	32,206,202.93	32,428,629.03	32,233,106.77	32,211,272.66
Other non-current liabilities	–	396,000,000.00	355,500,000.00	355,500,000.00
Total non-current liabilities	7,718,023,787.86	11,141,374,897.47	10,041,675,013.74	14,915,560,978.70
Total liabilities	20,570,456,792.46	23,530,992,251.76	27,746,024,986.43	32,382,309,460.89

	For the year ended 31 December			For the six months	
	2015	2016	2017	ended 30 June	
	(RMB)			2018	
Owners' equity:					
Paid-in capital	13,495,537,697.03	13,495,537,697.03	14,953,537,697.03	14,953,537,697.03	
Capital reserves	277,404,820.78	1,104,954,220.78	1,129,792,926.54	1,129,792,926.54	
Other comprehensive income	277,958,749.20	178,826,117.55	173,132,989.14	173,110,765.69	
Special reserve	–	–	135,136.89	823,312.52	
Retained earnings	(1,818,704,598.74)	(978,021,566.89)	(904,569,256.42)	(999,701,023.80)	
Total owners' equity attributable to parent company . . .	<u>12,232,196,668.27</u>	<u>13,801,296,468.47</u>	<u>15,352,029,493.18</u>	<u>15,257,563,677.98</u>	
Minority owners' equity	<u>36,275,068.33</u>	<u>47,668,872.62</u>	<u>310,144,162.64</u>	<u>430,393,741.87</u>	
Total owners' equity	<u>12,268,471,736.60</u>	<u>13,848,965,341.09</u>	<u>15,662,173,655.82</u>	<u>15,687,957,419.85</u>	
Total liabilities and owners' equity	<u>32,838,928,529.06</u>	<u>37,379,957,592.85</u>	<u>43,408,198,642.25</u>	<u>48,070,266,880.74</u>	
Depreciation and amortisation (RMB million)					
	2015	2016	2017	1H2017	1H2018
Depreciation	322	333	347	170	175
Amortisation on intangible assets	4	4	4	2	2
Amortisation on Long-term deferred expenses	6	5	4	2	2
Depreciation and amortisation	331	342	354	174	179
Operating cash inflows (RMB100 million)					
2015					117
2016					104
2017					110
1H18					43
Operating gross profit breakdown (RMB million)					
				1H2018	Percentage
Hi-Tech Zone Development				81	40.8%
Infrastructure Construction				19	9.5%
Commercial Property and Residential Development				33	16.7%
Merchandise Sales				8	4.2%
Others				57	28.9%
Operating gross profit (excluding non-core businesses)				<u>198</u>	<u>100.0%</u>

RISK FACTORS

Prior to making an investment decision, prospective investors should carefully consider the following risk factors, along with the other matters set out in this Offering Circular. PRC laws and regulations may differ from the laws and regulations in other countries. Additional risks not described below or not currently known to the Issuer or that the Issuer currently deems immaterial may also adversely affect the value of the Notes. The Issuer believes that the risk factors described below represent the principal risks inherent in investing in the Notes, but the Issuer may not be able to pay interest, principal or other amounts on or in connection with any Notes for reasons which the Issuer may not consider as significant risks based on information currently available to the Issuer, which the Issuer may not currently be able to anticipate or which the Issuer may currently deem immaterial. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

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

RISKS RELATING TO THE GROUP'S BUSINESS

The Group's business, financial condition, results of operations and prospects depend heavily on the level of economic development in Chengdu, Sichuan and in the PRC.

The Group's businesses and assets are highly concentrated in Chengdu city in Sichuan Province. Therefore, its business, financial condition, results of operations and prospects have been, and will continue to be, heavily dependent on the social conditions, local government policies and level of economic activity in Chengdu. Chengdu has experienced a prolonged period of stable economic growth. In 2015, 2016 and 2017, Chengdu's Gross Domestic Product ("GDP") reached approximately RMB1,080.1 billion, RMB1,217.0 billion and RMB1,388.9 billion, respectively. It is difficult to predict how the economic development of Chengdu will be affected by any slowdown in the growth of the PRC economy. As such, there can be no assurance that the level of economic development in Chengdu will continue to be maintained at the past rate of growth, if at all.

Demand for the Group's services and products depends on economic growth. The Group cannot assure that such growth will be sustained in the future. From time to time, the PRC government has implemented certain measures in order to prevent the PRC economy from experiencing excessive inflation. Such governmental measures may cause a decrease in the level of economic activity and have an adverse impact on economic growth. If the PRC's economic growth slows down or if the PRC economy experiences a recession, the growth of demand for infrastructure may also decrease. Such events could have a material adverse effect on the Group's business, results of operations and financial condition. Any sustained slowdown in the economic development in Chengdu, Sichuan or the PRC may affect investments in the industries in which the Group operates, reduce the demand for the Group's services and adversely affect its business, financial condition, profitability, results of operations and prospects.

The Group's business and future prospects depend to a large extent upon the public spending on infrastructure and investments by the Chengdu People's Government of Chengdu Municipality.

The Group's businesses largely depend on continued spending and investment by the People's Government of Chengdu Municipality (the "**Municipal Government of Chengdu**") to build government-supported infrastructure and projects. As the Group has been entrusted by the Municipal Government of Chengdu and the Administrative Committee of Chengdu High-tech Industrial Development Zone (成都高新技術產業開發區管理委員會)(the "**Chengdu High-tech Administrative Committee**"), which is a resident agency of Municipal Government of Chengdu, to undertake construction of infrastructure within the Chengdu High-tech Zone, the Group plays an important role in the development of Chengdu.

The Municipal Government of Chengdu and the Chengdu High-tech Administrative Committee and other agencies and entities controlled by the Municipal Government of Chengdu and/or the Chengdu High-tech Administrative Committee are among the Group's major customers. Therefore, the Group's business, results of operations and future prospects are significantly affected by the Municipal Government of Chengdu's budget and policies, in particular those in relation to infrastructure construction. Any significant reduction in the Municipal Government of Chengdu's public budgets and changes in policies relating to infrastructure construction could materially and adversely affect the Group's business. There are a number of factors affecting the Municipal Government of Chengdu and/or Chengdu High-tech Administrative Committee's decision on the nature, scale, location and timing of the projects being carried out in the Chengdu High-tech Zone. The key factors include government policies relating to the development of the Chengdu High-tech Zone and local fiscal and monetary policies. The Chengdu High-tech Zone's investments in industrial park development are also affected by the level of fiscal income and the general economic conditions in the PRC, Sichuan province and Chengdu. If the Municipal Government of Chengdu's public budget or spending on infrastructure construction in the Chengdu High-tech Zone decreases or the Municipal Government of Chengdu adopts changes in its policies adverse to the Chengdu High-tech Zone, the Group's business, financial condition, results of operations and prospects could be materially and adversely affected.

A discontinuation of favourable government policies, decisions and actions could materially and adversely affect the Group's business, financial condition and results of operations

The Group enjoys favourable government policies such as previously having received capital injections and government subsidies from the Chengdu Municipal Government and the Chengdu High-tech Administrative Committee. The government's continued promulgation of favourable policies also depend on the future fiscal revenue and fiscal policies of the local and central government. The PRC government has released a series of regulations concerning local government debts and financing platforms of local governments. There is no assurance that the PRC government will not impose any further restriction on providing financial support to the Group. As such, the Group may not be able to receive the same level of government subsidies, financial and policy support or enjoy the same favourable government policies in the future. Any discontinuation of favourable government policies could have a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, the Group collaborates with the PRC government, in particular the Sichuan Provincial Government and the Chengdu High-tech Administrative Committee. Many aspects of the Group's business are heavily influenced by government decisions and actions at various levels. For instance, the Chengdu High-tech Administrative Committee has injected capital into the Group in different forms, including in the form of land and other real property. Depending on the decisions and actions taken by governmental authorities, the Group's business and results of operations could fluctuate from period to period and may be adversely impacted.

Any reference to government support in this Offering Circular should not be read as indication that financial support will be given in respect of the Issuer's obligations under the Notes.

The Group may not make decisions, take action or invest or operate in businesses or projects that are always in the Group's best interests or with an aim to maximise the Group's profits as the Municipal Government of Chengdu can exert significant influence on the Group.

The Group is entrusted by the Chengdu High-tech Administrative Committee to undertake construction of infrastructure and industrial parks in the Chengdu High-tech Zone and is one of the entities commissioned by the Municipal Government of Chengdu to conduct industrial park development in the Chengdu High-tech Zone. Given the Group's important role in the development of the Chengdu High-tech Zone, the Group may not always make decisions, take action or invest or operate in businesses or projects that are in the Group's best interests or with an aim to maximise the Group's profits. In addition, the Company is a state-owned company wholly-owned by the Administrative Committee of

Chengdu Hi-tech Industrial Development Zone. Accordingly, the Municipal Government of Chengdu are in a position to exert significant influence on the Group's major business decisions and strategies, including the scope of its activities, investment decisions and dividend policy. Furthermore, the Group generally relies on the State-owned Assets Supervision and Administration Commission of Chengdu ("Chengdu SASAC") and Municipal Government of Chengdu to select and propose new projects for the Group to undertake. There can be no assurance that the Chengdu High-tech Administrative Committee or the Municipal Government of Chengdu would always take action that is in the Group's best interests or with an aim to maximise the Group's profits. The Municipal Government of Chengdu may use its ability to influence the Group's business and strategy in a manner beneficial to the Municipal Government of Chengdu as a whole, but which may not necessarily be in the Group's best interests.

The Municipal Government of Chengdu may also change its policies, intentions, preferences, views, expectations, projections, forecasts and opinions, as a result of changes in the economic, political and social environment as well as its projections of population and employment growth in Chengdu and any such change may have a material adverse effect on the Group's business and prospects. Any amendment, modification or repeal of the Municipal Government of Chengdu's existing policies could result in a modification of the existing regulatory regime which in turn could have a material adverse effect on the Group's financial condition and results of operations.

The Group faces risks associated with contracting with public bodies.

As the Chengdu High-tech Administrative Committee has entrusted the Group to undertake construction of infrastructure and industrial parks within the Chengdu High-tech Zone, the Group maintains a close working relationship with the Municipal Government of Chengdu and the Chengdu High-tech Administrative Committee. However, there can be no assurance that these close working relationships will continue to be maintained in the future. The Municipal Government of Chengdu or the Chengdu High-tech Administrative Committee may (i) have economic or business interests or considerations that are inconsistent with the Group's best interests; (ii) be unable or unwilling to fulfil its obligations to the Group; (iii) encounter financial difficulties; or (iv) have disputes with the Group as to the contractual terms or other matters. The Municipal Government of Chengdu, its controlled agencies or entities and the Chengdu High-tech Administrative Committee may not honour their contractual obligations in a timely manner, if at all, or may, without prior notice or consent from the Group, change existing policies and project plans in the Chengdu High-tech Zone for a number of reasons, such as government budgeting. As a result of the failure by the Municipal Government of Chengdu and the Chengdu High-tech Administrative Committee to fulfil their contractual obligations or any adverse change to the policies or business plans, the Group may be required to adjust its construction and development plans and thus adversely affect its operating results. If there is any material disagreement between the Group and the Municipal Government of Chengdu, any of its controlled agencies or entities or the Chengdu High-tech Administrative Committee, the Group may not be able to successfully resolve the disagreement in a timely manner. Disputes with public bodies may last for considerably longer period of time than for those with private sector counterparties, and payments from the public bodies may be delayed as a result. Any of these factors may materially and adversely affect the business relationship between the Group and the Municipal Government of Chengdu or the Chengdu High-tech Administrative Committee, which may in turn materially and adversely affect the Group's business, financial condition, results of operations and prospects.

PRC regulations on the administration of the financing platforms of local governments may have a material impact on the Group's business and sources of financing.

The Group's results of operations and financial condition may be affected by changes in the regulation of the PRC government concerning local government debts and the financing platforms of local governments. In September 2014, the State Council of the PRC released the Opinion on Enhancing the Administration of Fiscal Debts of Local Governments (關於加強地方政府性債務管理的意見)(the "Circular 43") with an aim to control a significant increase in local government debts and associated

risks in the PRC's banking system. Circular 43 generally prohibits local governments to incur "offbalance" indebtedness to finance the development of government projects and other public interest projects with the proceeds of the borrowings incurred by financing platforms the relevant local governments own or control.

The Ministry of Finance (the "MOF"), together with NDRC, the People's Bank of China (the "PBOC"), China Securities Regulatory Commission, China Banking Regulatory Commission (the "CBRC") and the Ministry of Justice, released the Notice concerning Further Regulation of Local Government Borrowing and Financing Conduct (關於進一步規範地方政府舉債融資行為的通知)("Circular 50") to emphasise the principles and policies set out in Circular 43 in April 2017.

The PRC government issued Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知, 財金[2018]23號)(the "MOF Circular"), effective on 28 March 2018, which aims to increase the responsibility of the PRC state-owned financial institutions to investigate into the financial independence and liquidity level of the local government financing vehicles that they assist in fundraising. On 11 May 2018, the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知)(the "Joint Circular") was released which reiterates the PRC government's position to isolate the debt of local government financing vehicles from the relevant local government and to control the increase of the local governments' debt. The Joint Circular requires companies that plan to borrow medium and long-term foreign debt to establish a sound and standardized corporate governance structure, management decision-making mechanism and financial management system. It further requires that the assets owned by such companies should be of good quality and clear ownership and it is forbidden to use public interest assets to be included in corporate assets. See "*Risk factors- Risks relating to the Notes – The PRC government has no obligations under the Notes*".

The PRC government may continue to release new policies or amend existing regulations to control the increase in local government debts in China. There is no assurance that the Group's financing model and business model will not be materially affected by future changes in the regulatory regime concerning the financing platforms of local governments.

The Group may cease to enjoy preferential tax treatment and tax exemptions, the loss of which, or a reduction in which, could reduce the Group's profits.

The Group currently enjoys preferential tax treatment pursuant to relevant regulations:

- If Chengdu Hi-tech Investment Venture Capital Co., Ltd., invests in unlisted small and medium-sized high-tech enterprises for two years or more, it can have taxable income deducted at an amount equivalent to 70 per cent. of its investment of the year when the share-holding reaches two years
- The core businesses of Chengdu Hi-tech Investment Financial Guarantee Co., Ltd. fall in the category of encouraging business in the Catalogue Guiding Industrial Structure Adjustment, so the corporate income tax rate is reduced to 15%
- The core businesses of its second-tier subsidiary, Chengdu Hi-tech Investment Century Property Service Co., Ltd fall in the category of industries encouraged by the country, so a 15% rate applies to corporate income tax from 2014-2018
- Regarding unified borrowing and repaying loans, for interest income from the Issuer's subsidiaries at a rate no higher than what it paid for financial institutions or the bond coupon rate, VAT exemption applies

However, there is no assurance that the preferential tax treatments and tax exemptions currently enjoyed by the Group will not be modified, withdrawn or revoked by the PRC Government. If the Group ceases to enjoy such preferential tax treatments or tax exemptions, or if the scope of the preferential treatment or tax exemption is scaled back, the Group's financial conditions and results of operations may be adversely affected.

The Group operates in multiple industries and markets and is exposed to business, market and regulatory risks relating to different industries and markets.

Currently, the Group focuses on five business segments, namely Hi-Tech Zone development, infrastructure construction, commercial property and residential development, merchandise sales and financial services and others. The Group operates multiple business segments, industries and markets. As such, the Group is exposed to business, market and regulatory risks relating to different industries and markets. The Group needs to devote substantial resources to become familiar with, and monitor changes in, different operating environments so that it can succeed in its businesses. In addition, successful operation of the Group requires an effective management system. As the Group continues to grow its businesses and expand into various industries, the Group's operations may become more complex, which would increase the difficulty of implementing its management system. In particular, the Group may be required to devote significant resources into managing the various business, market and regulatory risks associated with the different business segments, industries and markets. This may include, for example, ensuring that all the necessary licences and consents from regulatory authorities are obtained, transacting with an increasingly wide range of counterparties and clients and ensuring that the Group has robust risk management capabilities in place to identify and mitigate any risks associated with operating in multiple business segments, industries and markets. In Hi-Tech Zone development, such risks may include failing to attract investments or enterprises for the industrial parks; in infrastructure construction and commercial property and residential development, such risks may include unable to complete projects in time, changes in government policies in relation to land use rights and lack of reliable and up-to-date information on property market conditions; in merchandise sales, such risks may include trade logistical issues and issues relating to international trade. If any business, market and regulatory risks associated with the different business segments, industries and markets eventuates, it may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group may from time to time expand its businesses to new industries, markets and geographic areas in which it has limited operating experience. If the Group expands its business, there is no assurance that the Group will be successful or profitable in such new ventures within a certain timeframe or at all. There may also be difficulties in securing financing for investment for such growth, in recruiting and retaining the skilled human resources required to support the wide range of business in which the Group is, or may in the future be, involved and in ensuring that customers are provided with adequate levels of service for any new products, services or business lines. Such difficulties and challenges may have a material adverse effect on its business, financial condition, results of operations and prospects.

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

The Group's business operations are capital intensive, and require substantial capital resources. The Group has historically met its capital requirements primarily through revenues generated from its operations, and other financing channels such as bank loans and entrusted loans, issuances of domestic debt financing instruments and corporate bonds and various government subsidies or financial support. However, there can be no assurance that such funding sources will provide the Group with sufficient amounts of capital in a timely manner. Also, there can be no assurance that additional financing will be available to the Group or, if available, that it can be obtained on terms acceptable to the Group and within the scope of the covenants and limitations imposed by the Group's existing or future financings and the applicable regulations which the Group may be subject to. Any failure to obtain sufficient

capital resources on acceptable terms or in a timely manner may adversely affect the Group's projects and its debt repayment ability, which may in turn adversely affect the Group's business, financial condition and prospects.

The Group's financing guarantee business may be exposed to credit risk relating to guarantees.

The Group provides financing guarantee services within its financial services and others business segment. Such financing guarantee services including performance guarantees, buyer credit guarantees, bid guarantees and guarantees over clients' working capital and bankers' acceptance, to enterprises predominantly in information technology and software industry, machinery manufacturing industry and biomedical industry. Such guarantees are primarily given to small and medium-sized enterprises. During an economic downturn, there can be no assurance that the guaranteed enterprises will be able to fulfil their obligations under their respective contracts, requiring the Group to pay the outstanding debt obligations on behalf of the guaranteed enterprises. As a result, the Group's financial condition and results of prospects could be materially and adversely affected.

The Group has substantial indebtedness and may incur additional indebtedness in the future, which could adversely affect its future strategy and operations and its ability to generate sufficient cash to satisfy its outstanding and future debt obligations.

To fund its projects and other businesses, the Group has incurred a large amount of indebtedness mainly through bank loans and issuance of domestic debt securities. See "*Business Strategies Section – Explore new financing channels*".

The Group may incur additional indebtedness and continuing liabilities in the future, including the issuance of debt securities or entering into financing or other loan arrangements. The level of existing indebtedness and incurrence of further indebtedness could have important consequences to the Group's business, including:

- increasing the Group's vulnerability to adverse general economic and industry conditions;
- requiring the Group to dedicate a substantial portion of its cash flows from operations to servicing and repaying its indebtedness, thereby reducing the availability of its cash flows to fund working capital, capital expenditures and other general corporate purposes;
- limiting the Group's ability to capture investment and/or acquisition opportunities and inhibiting its ability to grow and expand its business;
- increasing the Group's interest expense as a proportion of its costs of doing business;
- limiting the Group's flexibility in planning for or reacting to changes in its businesses and the industries in which it operates;
- reducing the Group's competitiveness compared to its competitors that have less debt; and
- increasing the costs of additional financing.

Creditors of the Company's subsidiaries would have a claim on the Company's subsidiaries' assets and such claims would be senior to the claims of the Company's creditors. As a result, the payment obligations under the Company's indebtedness and liabilities will be effectively subordinated to all existing and future obligations of the Company's subsidiaries, and all claims of creditors of the Company's subsidiaries, will have priority as to the assets of such entities over the Company's claims and those of its creditors.

In addition, the Group continually reviews its current and expected future funding requirements and evaluates and engages in discussions with financial institutions and other market participants, from time to time, on proposals regarding different sources of funding. In incurring indebtedness and liabilities from time to time, members of the Group may create security over their assets, receivables or equity interests in entities held by them (which may include the Company's subsidiaries) in favour of the relevant creditors. Should any of such secured indebtedness becomes immediately due and payable as a result of any default in payment or the occurrence of other events of default as defined under the relevant secured indebtedness, the relevant secured creditors would be entitled to take enforcement actions against such secured assets, receivables and equity interests. The secured creditors might take over the subsidiaries' titles to the secured assets, receivables and equity interests or sell them through auction. In such an event, the value of the Group's assets portfolio will diminish and fewer assets and/or equity interests will be available for distribution to unsecured creditors if the subsidiaries are in liquidation. If any member of the Group incurs additional debt, the risks that the Group faces as a result of its already substantial indebtedness and leverage could intensify.

Also, if any of the Company or its subsidiaries is unable to comply with the restrictions (including restrictions on the Group's future investments) and covenants in its current or future debt obligations and other agreements, a default under the terms of such agreements may occur. In the event of a default under such agreements, the holders of the debt could terminate their commitments to the Company or its subsidiaries, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Some of the financing arrangements entered into by the Company and its subsidiaries may contain cross-acceleration or cross-default provisions.

As a result, a default by the Company or its subsidiaries under any of such agreements may cause the acceleration of repayment of not only such debt but also other debts, or result in a default under other debt agreements. If any of these events occurs, there can be no assurance that the assets and cash flows of the Company or its subsidiaries would be sufficient to repay in full all of their respective debts as they become due, or that the Company or its subsidiaries would be able to find alternative financing. Even if the Company and its subsidiaries could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Company or, as the case may be, its subsidiaries. The occurrence of either of these types of events may result in a liquidity shortage at the Company level and may materially and adversely affect the Company's ability to provide financial support to its subsidiaries. If the Company's financial or non-financial support ceases or diminishes for any reason, the operations of its subsidiaries may be materially and adversely affected, which in turn may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's ability to generate cash to service its indebtedness depends on many factors beyond its control.

The Group's ability to make payments on and to refinance its indebtedness, including the Notes, and to fund planned capital expenditures and project development will depend on the Group's ability to generate cash. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond the Group's control. The Group's businesses might not generate sufficient cash flow from operations to enable it to pay its indebtedness, including the Notes, or to fund the Group's other liquidity needs. The Group may need to refinance all or a portion of its indebtedness, including the Notes, on or before maturity. However, the Group might not be able to refinance any of its indebtedness, including the Notes, on commercially reasonable terms or at all. If the Group is unable to service its indebtedness or obtain refinancing on terms acceptable to the Group, it may be forced to adopt an alternative strategy that may include reducing or delaying capital expenditures, selling assets or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

The Group requires various approvals, permits and licences to operate its businesses.

Pursuant to the applicable laws and regulations in the PRC, the Group is required to obtain or renew approvals, permits and licences with respect to its relevant operations. There can be no assurance that the Group will be able to obtain or renew all necessary approvals, permits and licences on a timely basis or at all. Failure to comply with the applicable laws and regulations or the inability to obtain the relevant approvals, permits and licences could expose the Group to the imposition of sanctions, fines, penalties, revocation of licence or other punitive actions, including suspension of the Group's business operations or restrictions or prohibitions on certain of the Group's business activities, which may adversely affect the Group's financial condition and results of operations.

Non-compliance with environmental regulations, including those to be implemented in the future, may result in material adverse effects on the Group's results of operations.

A variety of general and industry-specific PRC environmental laws and regulations apply to the Group's operations such as damage caused by air emissions, noise emissions, waste-water discharges, waste pollution and solid and hazardous waste handling and disposal. Costs and liabilities relating to compliance with applicable environmental laws and regulations are an inherent part of the Group's business operations. These laws can impose liability for non-compliance or clean up liability on the generation of hazardous waste and other substances from the Group's business operations that are disposed of either on or off-site, regardless of fault or the legality of the disposal activities. The Group may also be required to investigate and remedy contamination at its properties or where the Group conducts operations, including contamination that was caused in whole or in part by previous owners of properties.

In addition, environmental laws and regulations are becoming increasingly stringent and may in the future impose onerous obligations on the Group or significant penalties for non-compliance. Compliance with such laws and regulations may materially restrict the operation of its business and/or result in significant costs for the Group.

In addition to potential clean-up liability, the Group may become subject to monetary fines and penalties for violation of applicable environmental laws, regulations or administrative orders. This may result in closure or temporary suspension or the imposition of restrictions on the Group's operations. The Group may become involved in legal proceedings that may require it to pay fines, comply with more rigorous standards or incur capital and operating expenses for environmental compliance. Third parties may sue the Group for damages and costs resulting from environmental contamination from its properties and/or production facilities. There can be no assurance that changes in laws or regulations, in particular environmental laws and regulations, will not result in the Group having to incur substantial capital expenditure to upgrade or supplement its existing facilities or becoming subject to any fines or penalties. If the Group were to incur significant fines or penalties or became involved in protracted litigation, or if any of its facilities were closed down or required to be temporarily suspended or if any upgrade was required to comply with the applicable laws and regulations, then the Group's financial condition and results of operations could be adversely affected.

The Group is subject to extensive regulatory requirements and any failure to comply with the applicable laws, rules and regulations may materially and adversely affect the Group's financial condition and results of operations.

Certain segments of the Group's business activities, in particular the infrastructure construction and Chengdu Hi-Tech Zone Development, are extensively regulated in the PRC. The Group is subject to extensive laws, policies and regulatory requirements issued by the relevant governmental authorities in the PRC, including but not limited to extensive health and safety regulations in the PRC. The Group is also subject to the supervision of a number of government ministries and departments, including but not limited to the NDRC, the MOF, the Ministry of Housing and Urban-Rural Development and the State

Administration of Work Safety. Any breach of the applicable laws or regulations may result in the imposition of fines and penalties, the suspension or closure of its relevant operations or the suspension or revocation of its licences or permits to conduct its relevant businesses.

Given the complexity of the laws and regulations to which the Group is subjected, any failure of the Group to comply with applicable laws and regulations could subject the Group to, among other things, civil liabilities and penalties. In addition, different regulatory authorities may have different interpretation and enforcement of the policies affecting the industries in which the Group operates. If there are any changes in applicable laws, regulations, administrative interpretations or regulatory documents, or stricter enforcement policies by the relevant PRC regulatory authorities, more stringent requirements could be imposed on the industries in which the Group is currently operating. Compliance with such new requirements could impose substantial additional costs or otherwise have a material adverse effect on the Group's business, financial condition and results of operations. In addition, if the Group fails to meet such new rules and requirements relating to approval, construction, environmental or safety compliance of its operations, the Group may be ordered by the relevant PRC regulatory authorities to change, suspend construction of or close the relevant production facilities. Alternatively, these changes may also relax some requirements, which could be beneficial to the Group's competitors or could lower market entry barriers and increase competition. As a result, the Group's business, financial condition and results of operations could be materially and adversely affected.

The Group had received administrative penalties from Chengdu State Administration of Work Safety in March 2014 and other administrative penalties from Chengdu Urban and Rural Construction Commission in November 2014, September 2015, December 2015, February 2016 and October 2016 in relation to the operations of Chengdu Brilliant Construction and Installation Engineering Co., Ltd. (成都倍特建築安裝工程有限公司). While the Group has fulfilled these penalties, there can be no assurance the Group will not receive similar administrative penalties in the future. In addition, there can be no assurance that the PRC government will not impose additional or stricter laws or regulations, including health and safety laws or regulations, which may increase the Group's compliance costs and in turn could materially affect the Group's operations and financial condition.

The Group is subject to project development risks and cost overruns, and delays may adversely affect its results of operations.

There are a number of construction, financing, operating and other risks associated with project developments in the PRC. Projects that the Group undertakes, in particular infrastructure construction projects, typically require substantial capital expenditures during the construction phase and usually take many years before they become operational and start to generate revenue. The time taken and the costs involved in completing construction can be adversely affected by many factors, including shortages of materials, equipment and labour, adverse weather conditions, natural disasters, terrorism, labour disputes, disputes with sub-contractors, accidents, changes in governmental priorities and other unforeseen circumstances. Any of these could give rise to delays in the completion of construction and/or cost overruns. Construction delays can result in loss of revenues. The failure to complete construction according to the Group's specifications may result in liabilities, reduced efficiency and lower financial returns. In addition, as construction costs for new projects have increased due to factors that are generally beyond the Group's control, construction delays may further increase these costs.

The Group has historically required, and is expected in the future to continue to require, substantial external financing to fund its capital expenditures. The costs of such financing are dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence in its business, success of its businesses, provisions of tax, securities and other relevant laws that may be applicable to its efforts to raise capital, and political and economic conditions in the PRC generally. There can be no assurance that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favourable to the Group.

Any failure of the Group's key contractors may have an adverse effect on the Group's business.

The Group engages contractors for the provision of various services, including but not limited to certain construction work for the construction of infrastructure. There can be no assurance that services rendered by any of the Group's contractors will always be satisfactory and up to the standard specified in the relevant contracts. If the performance of any contractor is unsatisfactory, the Group may need to replace such contractor or take other necessary remedial action, which could increase costs and delay the construction progress of the affected projects. In addition, the Group is also exposed to the risk whereby its contractors may require additional capital in excess of the price originally tendered to complete their engagement and as a result, the Group may have to bear these additional costs. If any of the Group's key contractors fail to perform their contractual obligations, the Group's operations, business and financial condition may be materially and adversely affected.

In addition, the Group may not be able to find suitable alternative contractors at commercially reasonable terms, if at all, should the Group's contracts with its current contractors terminate or in the event its current contractors choose not to renew any expired contracts. This may cause delays in the completion of the Group's projects or incur additional costs, which could materially and adversely affect the Group's business, financial condition and results of operations.

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

Under applicable PRC laws and regulations, if the Group does not commence development on the land held by the Group for more than one year after the date specified in the relevant land use rights grant contract, the PRC government may impose an idle land penalty equal to 20 per cent. of the land premium or allocation fees. In addition, official reprimands may be given if (i) the Group commences development on an area which is less than one-third of the area granted, (ii) the capital invested in the development is less than one-fourth of the total investment approved for the development, or (iii) the development is suspended for more than one year without governmental approval. The PRC government may revoke the land use rights certificate without offering any compensation if the Group does not commence development for more than two years after the date specified in the relevant land use rights grant contract without compelling causes.

The State Council issued the Notice on Promoting the Saving and Intensification of Use of Land (國務院關於促進節約集約用地的通知) which states, among other things, that the Ministry of Land and Resources and other authorities are required to research and commence the drafting of the implementation rules concerning the levy of land appreciation fees on idle land. In addition, the Ministry of Land and Resources issued the Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (關於嚴格建設用地管理促進批而未用土地利用的通知) in August 2009, which reiterates its policy on idle land.

As at 31 December 2017, the Group did not possess any land that had not commenced development within the time stipulated in the relevant land use rights grant contracts. However, the Group may have idle land in the future and the imposition of fines and penalties in relation to any idle land could have a material and adverse effect on the Group's business, financial condition and results of operations.

The Group is not insulated from the rising operating costs of labour, construction materials and construction equipment.

As a result of economic growth in the PRC, wages for construction workers and the prices of construction materials as well as building equipment have undergone substantial increases in recent years. In addition, the Labour Contract Law of the PRC (the "Labour Contract Law") which came into effect on 1 July 2008 enhanced the protection for employees and increased the liability of employers in many circumstances, which may further increase the Group's labour costs. The Group bears the risk in respect of fluctuations in wages and the price of construction materials and is also exposed to the price volatility of construction equipment used in construction projects. If the Group is

unable to pass on any increase in the cost of labour, construction materials and construction equipment to its customers, its results of operations may be negatively affected. There can be no assurance as to the future price movements of any labour, construction materials and construction equipment required by the Group and any detrimental movements in the future could have a material adverse effect on the Group's financial condition and results of operations.

Failure to recruit and retain key managerial personnel, highly skilled employees and the occurrence of labour unrest may materially and adversely affect the Group's operations.

The success of the Group's business depends, to a large extent, on the strategic vision of its board of directors, the continued service of key managerial personnel including directors and key senior executives and the ability to attract and retain highly skilled personnel such as project managers, construction engineers as well as managers for the Group's financial services business segment.

If the Group is not successful in recruiting or retaining its employees, its operations may be adversely affected. In addition, if any of them fails to observe and perform their obligations under their service agreements, this may have a material adverse effect on the Group's results of operations and profits. The Group relies on third-party contractors to carry out the Group's on-going and potential projects in the Chengdu High-tech Zone. These business segments are labour intensive. As such, labour shortages or labour disputes of third-party contractors could materially and adversely affect the Group's business, prospects and results of operations. Industrial action or other labour unrest could directly or indirectly prevent or hinder the progress of the affected construction projects, and, if not resolved in a timely manner, could lead to delays in completing the Group's projects.

In addition, as at 30 June 2018, the Group employed approximately 1,011 employees. Some of the Group's employees are currently represented by labour unions. Also, certain employees of some of the Group's suppliers, contractors or companies in which the Group has investments are or may become unionised in the future or experience labour-related instability. Any conflicts with the Group's employees or contractors and/or their respective unions could have a material adverse effect on its financial condition and results of operations.

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

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

- hiding unauthorised or unsuccessful activities, resulting in unknown and unmanaged risks or losses;
- intentionally concealing material facts, or failing to perform necessary due diligence procedures designed to identify potential risks, which are material to the Group in deciding whether to make investments or dispose of assets;
- improperly using or disclosing confidential information;
- recommending products, services or transactions that are not suitable for the Group's customers;
- misappropriation of funds;
- conducting transactions that exceed authorised limits;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities when marketing or selling products;

- engaging in unauthorised or excessive transactions to the detriment of the Group's customers;
- making or accepting bribes or similar unauthorised payments;
- conducting any insider dealing; or
- otherwise not complying with applicable laws or the Group's internal policies and procedures.

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

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

The Group relies heavily on its quality control systems to ensure the safety and quality of its projects. Therefore it needs to maintain an effective quality control system for the Group's commercial and residential property development and infrastructure construction as well as other operational activities. The effectiveness of the Group's quality control system depends significantly on a number of factors, including the design of the system, the related training programme as well as its ability to ensure that the Group's employees adhere to its quality control policies and guidelines. Any failure or deterioration of the Group's quality control systems could result in defects in its projects, which in turn may subject the Group to contractual, product liability and other claims. Any such claims, regardless of whether they are ultimately successful, could cause the Group to incur significant costs, harm its business reputation and result in significant disruption to its operations. In addition, if any such claims were ultimately successful, the Group could be required to pay substantial monetary damages or penalties. Although the Group has quality control systems in place, there can be no assurance that failures in its quality control systems will not occur in the future, and any such failure could have an adverse effect on the Group's business and operations.

The Group is exposed to interest rate risk.

Interest rate fluctuations may influence the Group's financial performance. Any changes in the prevailing interest rates may impact the Group's borrowing costs as a portion of the Group's borrowings bear floating interest rates. The Group may be susceptible to interest rate volatility if it is unable to match its floating rate liabilities with floating rate payments or secure appropriate hedges for the same. While the Group's exposure to interest rate volatility may be hedged through the use of interest rate swaps and interest caps, the magnitude of the final exposure depends on the effectiveness of the hedge. There can be no assurance that fluctuations in interest rates will not have an adverse effect on the Group's earnings or cash flows. If any of the various instruments and strategies which the Group uses to hedge its exposure to interest rate risk are or become ineffective, the Group may incur significant losses, which could have a material adverse effect on the Group's financial position and results of operations.

The Group may be subject to legal, litigation and regulatory proceedings.

The Group may be involved, from time to time, in legal proceedings arising in the ordinary course of its operations. Litigation arising from any failure, injury or damage from the Group's operations may result in the relevant member of the Group being named as defendant in lawsuits asserting large claims against such member of the Group or subject such member of the Group to significant regulatory penalties. These risks often may be difficult to assess or quantify and their existence and magnitude often remain unknown for a substantial period of time. Actions brought against the Group may result in settlements, injunctions, fines, penalties or other sanctions adverse to the Group's reputation, financial condition and results of operations. Even if the Group is successful in defending against these actions, the costs

associated with the Group's defence may be significant. When the market experiences a downturn, the number of legal claims and amount of damages sought in litigations and regulatory proceedings may increase. A significant judgment, arbitration award or regulatory action against the Group, or a disruption in the Group's business arising from adverse adjudications in proceedings against the Group's directors, senior management or key employees, would materially and adversely affect the Group's liquidity, business, financial condition, reputation, results of operations and prospects.

In addition, the Group may have disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings and unfavourable decrees that result in liabilities. Also, in the event that the Group makes any other investments or acquisitions in the future, there can be no assurance that the Group would not have any exposure to any litigation or arbitration proceedings or other liabilities relating to the acquired businesses or entities.

The Group's operations are subject to force majeure events, natural disasters and outbreaks of contagious diseases.

Force majeure events, natural disasters, catastrophe or other events could result in severe personal injury to the Group's staff, property damage and environmental damage, which may curtail the Group's operations, cause delays in estimated completion dates for the Group's various construction and infrastructure projects and could in turn, materially and adversely affect the Group's cash flows and, accordingly, adversely affect its ability to repay any debt.

The Group's operations are mainly based in Chengdu, which is exposed to potential natural disasters including, but not limited to, earthquakes, flooding, landslides, mudslides and drought. If any of the Group's developments are damaged by severe weather or any other disasters, accidents, catastrophes or other events, the Group's operations may be significantly interrupted. The occurrence or continuance of any of such unforeseen events or similar events could increase the costs associated with the Group's operations and reduce its ability to operate its businesses effectively, thereby reducing its operating revenue and profits.

In addition, substantially all of the Group's contracts with its suppliers and other counterparties have force majeure provisions that permit such parties to suspend, terminate or otherwise not perform their obligations under the relevant contracts upon the occurrence of certain events including, but not limited to, strikes and other industrial or labour disturbances, terrorism, restraints of government, civil protests or disturbances, or any natural disasters; all of which are beyond the control of the party asserting such force majeure event. If one or more of the Group's suppliers or other counterparties do not fulfil their contractual obligations for any extended period of time due to a force majeure event or otherwise, the Group's results of operations and financial condition could be materially and adversely affected.

Risks of substantial costs and liabilities are inherent in the Group's principal operations and there can be no assurance that significant costs and liabilities will not be incurred, including those relating to claims for damages to property or persons. Insurance policies for civil liability and damages taken out by the Group could prove to be significantly inadequate, and there can be no assurance that the Group will always be able to maintain an adequate level of coverage at least equal to the Group's current coverage and at the same costs. Please see "*Risk Factors – Risks relating to the Group's Businesses – The insurance coverage of the Group may not adequately protect it against all operational risks or any potential liabilities or losses*" in this section for further information.

In addition, the Group's operations are subject to outbreaks of contagious diseases. For example, the outbreak of severe acute respiratory syndrome ("SARS") in the PRC and Hong Kong in early 2003 had an adverse effect on all levels of business in Hong Kong and the PRC. There have been sporadic outbreaks of the H5N1 virus or "Avian Influenza A" among birds, in particular poultry, as well as some isolated cases of transmission of the virus to humans. There have also been recent global outbreaks of the A/H1N1 influenza virus. Other recent epidemics include the Middle East Respiratory Syndrome (MERS), H5N1 avian flu and the recent cases of H7N9 avian flu. The outbreak of SARS and the A/

H1N1 influenza virus led to a significant decline in travel volumes and business activities throughout most of the Asia-Pacific region. The occurrence of another outbreak of SARS, the A/H1N1 influenza virus or of any other highly contagious disease, such as the Ebola virus, may result in another economic downturn and could adversely affect the overall level of business and travel in the affected areas. There may also be significant disruption to the Group's business operations and consequently have an adverse effect on its financial condition and results of operations.

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

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

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

To manage operating risks, the Group maintains insurance policies that provide different types of risk coverage. Moreover, the Group believes that it maintains insurance coverage that it believes are commensurate with its risk and industry practice. However, the Group faces various risks in connection with its businesses and may lack adequate insurance coverage or may have no relevant insurance coverage. There can be no assurance that the insurance policies maintained by the Group will provide adequate coverage in all circumstances. Although each of the Group's facilities has had a track record of safe operation and none of them has suffered any material hazards over the last three years, there can be no assurance that hazards, accidents or mishaps will not occur in the future. The occurrence of any such incident for which the Group is uninsured or inadequately insured may have a material adverse effect on its business, financial condition and results of operations.

In addition, the Group may not always be able to obtain the type and amount of insurance at commercially reasonable rates. Over time, premiums and deductibles for insurance policies may substantially increase, and certain insurance policies could become unavailable or only available with reduced amounts of coverage. There are also certain types of losses, such as loss caused by wars, acts of terrorism or acts of God, business interruption, property risks and third party (public) liability, that are generally not covered by insurance policies as such events are deemed economically uninsurable. If the Group were to incur significant liability for which the Group is not insured or not fully insured, such liability could have a material adverse effect on its financial position and results of operations. In addition, any claims made under any insurance policies maintained by the Group may not be paid in a timely manner, or at all, and may be insufficient if such an event were to occur.

Financial reporting requirements and accounting standards in the PRC differ from those in other countries.

The Group's audited consolidated financial statements as at and for the years ended 31 December 2016 and 2017 and unaudited and reviewed consolidated financial statements as at and for six months ended 30 June 2018 were prepared in accordance with the PRC GAAP. Although PRC GAAP are substantively in line with IFRS, PRC GAAP are, to a certain extent, different from IFRS. The Group has not prepared a reconciliation of the Group's consolidated financial statements and related footnote disclosure between PRC GAAP and IFRS and has not quantified such differences. In making an investment decision, investors must rely upon their own examination of the Group, the terms of the offering of the Notes and the Group's financial information. Potential investors should consult their own professional advisers for an understanding of differences between PRC GAAP and IFRS and how they might affect the financial information contained in this Offering Circular. The Group's current independent auditors, Sichuan Huaxin (Group) CPA Firm, is a registered member of The Chinese Institute of Certified Public Accountants and although it has significant audit experience in the PRC, it has limited international capital markets experience. Prospective investors should consider these factors prior to making any investment decision.

The Group's auditors were previously under investigation initiated by the relevant PRC authorities.

Sichuan Huaxin, the Issuer's independent auditor, has been subject to investigations initiated by the China Securities Regulatory Commission ("CSRC"). CSRC has previously adopted the administrative supervision measure of issuing a warning letter to Sichuan Huaxin following inspections the CSRC had undertaken in respect of Sichuan Huaxin. The warning letter related to specific auditors within Sichuan Huaxin relating to their auditing work for the 2013 annual report of Powerise Information Tech, citing mistakes in the lack of proper identification of errors in the presentation of the financial statements and failure to properly implement audit procedures.

As confirmed by Sichuan Huaxin, the administrative measure described above does not have any relation to the Group, and the relevant auditors identified in the warning letter are not participating in the issue of the Notes; the qualification of the auditors participating in this offering is not affected by the administrative measure. The audit work performed for the Group is not affected by such administrative measure and the reports by the auditors included elsewhere in this Offering Circular remain valid and effective. Sichuan Huaxin has also confirmed its ability to provide comfort letters. However, there can be no assurance that the relevant PRC regulatory agencies would not carry out any review of Sichuan Huaxin's audit and/or other assurance work conducted in relation to other companies. There is no assurance that there will not in the future be prolonged and broadened investigation conducted by the CSRC against Sichuan Huaxin, nor can there be any assurance that further negative news about Sichuan Huaxin would not have a material and adverse effect on the Group.

There is no assurance that potential future investigations would not subject Sichuan Huaxin or any of its management, officers or employees to further sanctions imposed by other PRC authorities or any suspension of business operations by MOF and/or CSRC. Such further sanctions, revocations and suspensions may restrict Sichuan Huaxin from providing audit services or other services in connection with the Issuer's financing transactions. In that case, the Issuer may have to discontinue its engagement with Sichuan Huaxin, which may adversely affect the Issuer's business operations and harm its reputation. Prospective investors should consider these factors prior to making any investment decision.

The PRC government's control of foreign currency may limit the Group's foreign exchange transactions.

All of the Group's revenues and expenses are denominated in Renminbi, which is not currently a freely convertible currency. Conversion and remittance of foreign currencies are subject to PRC laws and regulations that affect exchange rates and foreign exchange transactions. Under the current PRC foreign exchange control system, foreign exchange transactions under the Group's current account do not require

prior approval from SAFE, but the Group is required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks. Foreign exchange transactions under the capital account conducted by the Group, however, must be approved in advance by SAFE or registered with SAFE upon approval of other competent authorities, including NDRC and the Ministry of Commerce of the People's Republic of China.

There can be no assurance that policies regarding foreign exchange transactions under current accounts or capital accounts will continue in the future. The PRC government may restrict future access to foreign currencies under current or capital account transactions at its discretion. A change in policy could restrict the Group's ability to obtain sufficient foreign currency, which could have an effect on the Group's ability to meet foreign exchange requirements. In addition, foreign exchange transactions under current accounts may no longer be freely convertible and could require the approval of the SAFE.

Failure to obtain approval from the SAFE to convert Renminbi into any foreign currency for foreign exchange transactions could have an adverse effect on the Group's results of operations and financial condition. Moreover, if the Group was unable to obtain sufficient foreign currency, it might not be able to pay interest to the holders of the Notes in foreign currencies.

Government control of currency conversion and future movements in exchange rates may adversely affect the Group's business, results of operations and financial condition.

A portion of the Group's Renminbi revenue may need to be converted into other currencies to meet the Group's requirements for foreign currencies, including debt service on foreign currency-denominated debt, overseas acquisitions of mining properties and purchases of imported equipment.

Foreign exchange transactions under the capital account, including principal payments with respect to foreign currency-denominated obligations, are subject to the approval requirements of SAFE. In addition, the value of the Renminbi against the US dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. Fluctuations in the exchange rate of the Renminbi against the US dollar and certain other foreign currencies may adversely affect the Group's business, results of operations and financial condition.

Fluctuations in the value of Renminbi may adversely affect the businesses of the Group and the value of distributions by its PRC subsidiaries.

The value of the Renminbi against the U.S. dollar, Euro and other currencies is affected by, among other things, changes in the PRC's political and economic conditions and the PRC's foreign exchange policies. The PRC government allows the Renminbi to fluctuate within a narrow and managed band against a basket of certain foreign currencies. In recent years, the exchange rate between the Renminbi and U.S. dollar has been relatively stable and consequently the renminbi has sometimes fluctuated sharply against other freely traded currencies, in tandem with the U.S. dollar. Since June 2010, the Renminbi has started to slowly appreciate against the U.S. dollar, though there have been periods when the U.S. dollar has appreciated against the RMB. For example, around 11 August 2015, the People's Bank of China allowed the Renminbi to depreciate by approximately 2% against the U.S. dollar. It is difficult to predict when and how the relationship between the Renminbi and the U.S. dollar may change again. The PRC government indicated that it will make the foreign exchange rate of the Renminbi more flexible and widen the trading band of Renminbi, which increases the possibility of sharp fluctuations in Renminbi's value in the future as well as the unpredictability associated with Renminbi's exchange rate. There remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in further and more significant fluctuations of the Renminbi against foreign currencies. As the majority of the Group's costs and expenses are denominated in renminbi, a resumption of the appreciation of the Renminbi against the U.S. dollar would further increase the Group's costs in U.S. dollar terms. In addition, as the Group's operating subsidiaries in the PRC receive revenues in Renminbi, any significant depreciation of the Renminbi against the U.S. dollar may have a material adverse effect on the Group's revenues in U.S. dollar terms and financial condition. For example, the Group would need to convert proceeds of this offering dominated in U.S. dollars into

Renminbi for its operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount it receives from the conversion. Conversely, depreciation of the Renminbi against the U.S. dollar could 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.

RISKS RELATING TO THE PRC

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

The economy of the PRC experienced rapid growth in the past 30 years. There has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. According to the National Bureau of Statistics of the PRC, the annual growth rate of China's GDP in 2015 slowed down to 6.9 per cent. on a year-on-year basis compared to 7.3 per cent. in 2014. It further decreased to 6.7 per cent. in 2016 but slightly increased to 6.9 per cent in 2017. In May 2017, Moody's changed China's long-term sovereign credit rating and foreign currency issuer ratings to A1 from Aa3. In September 2017, S&P Global Ratings also downgraded China's long-term sovereign credit rating to A+ from AA-, citing increasing economic and financial risks from a prolonged period of strong credit growth.

The future performance of China's economy is not only affected by the economic and monetary policies of the PRC government, but it is also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world, such as the United States and the European Union. For example, on 23 June 2016, the United Kingdom voted in a national referendum to withdraw from the European Union. 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. Since July 2018, the United States and China has started a trade war with the imposition of punitive tariffs. The continuation of such trade war may adversely affect the world economy. Therefore, there exists continued uncertainty for the overall prospects for the global and the PRC economies this year and beyond.

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

The economy of the PRC differs from the economies of most developed countries in many respects, including with respect to government involvement, level of development, economic growth rate, control of foreign exchange and allocation of resources. The economy of the PRC has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented a series of measures emphasising market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises.

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

The Group's operations and financial results could also be affected by changes in political, economic and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof). In addition, the growth of development in cities such as Chengdu and in the infrastructure construction demand in the PRC and other industries that the Group operates depends heavily on economic growth. If the PRC's economic growth slows down or if the

economy of the PRC experiences a recession, such growth may also slow down, and the Group's business and prospects may be materially and adversely affected. The Group's operations and financial results, as well as its ability to satisfy its obligations under the Notes, could also be materially and adversely affected by changes to or introduction of measures to control changes in the rate or method of taxation and the imposition of additional restrictions on currency conversion.

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

As substantially all of the Group's business are conducted, and substantially all of the Group's assets are located, in the PRC, the Group's operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes while prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, China has not developed a fully integrated legal system and recently enacted laws and regulations that may not sufficiently cover all aspects of economic activities in the PRC.

In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based, in part, on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, the Group may not be aware of the Group's violation of these policies and rules until sometime after the violation. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management's attention and it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgements by a court of another jurisdiction. These uncertainties relating to the interpretation and implementation of PRC laws and regulations may adversely affect the legal protections and remedies that are available to the Group in its operations and to the holders of the Notes.

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

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

Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《關於內地和香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), pursuant to which a party with a final court judgment rendered by a Hong Kong court in respect of a judgment sum payable under a civil and commercial action may apply for enforcement of such judgment in the PRC, and vice versa. However, it is impossible to enforce a judgment rendered by the Hong Kong court in the PRC if there is no prior agreement as to the choice of court.

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

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

In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from 5 to 15 days, depending on the length of the employees' work time. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. Under the National Leisure and Tourism Outline 2013-2020 (國民旅游休閒綱要2013-2020) which became effective on 2 February 2013, all workers must receive paid annual leave by 2020. As a result of the PRC Labour Contract Law, the Regulations on Paid Annual Leave for Employees and the National Leisure and Tourism Outline 2013-2020, the Group's labour costs (inclusive of those incurred by contractors) may increase. Further, under the PRC Labour Contract Law, when an employer terminates its PRC employees' employment, the employer may be required to compensate them for such amount which is determined based on their length of service with the employer, and the employer may not be able to efficiently terminate non-fixed-term employment contracts under the PRC Labour Contract Law without cause. In the event the Group decides to significantly change or decrease its workforce, the PRC Labour Contract Law could adversely affect its ability to effect these changes in a cost-effective manner or in the manner that the Group desires, which could result in an adverse impact on the Group's business, financial condition and results of operations.

Further, in the event that there is a labour shortage or a significant increase to labour costs, the Group's business operation costs is likely to increase. In such circumstances, profit margins may decrease and financial results may be adversely affected. In addition, inflation in the PRC has increased in recent years.

Inflation in the PRC increases the costs of raw materials required by the Group for conducting its business and the costs of labour as well. Rising labour costs may increase the Group's operating costs and partially erode the cost advantage of the Group's operations and therefore negatively impact the Group's profitability.

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

Facts and other statistics in this Offering Circular relating to the PRC, its economy or the relevant industry in which the Group operates have been directly or indirectly derived from official government publications and certain other public industry sources and although the Group believes such facts and statistics are accurate and reliable, it cannot guarantee the quality or the reliability of such source materials. They have not been prepared or independently verified by the Issuer, the Joint Lead Managers, the Trustee, the Agents or any of its or their respective affiliates, officers, representatives, employees, directors, agents, advisors or representatives, and, therefore, the Issuer, the Joint Lead

Managers, the Trustee, the Agents or any of its or their respective affiliates, officers, representatives, employees, directors, agents, advisors or representatives makes no representation as to the completeness, accuracy or fairness of such facts or other statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be incomplete, inaccurate or unfair or may not be comparable to statistics produced for other economies or the same or similar industries in other countries and should not be unduly relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts or other statistics.

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

From time to time, the Group issues corporate bonds and short-term financing bonds in the PRC. According to applicable PRC securities regulations, the Group is required to publish its periodic financial information to satisfy its continuing disclosure obligations relating to its corporate bonds and short-term financing bonds. The interim financial information published by the Group in the PRC is normally derived from its management accounts and is not audited or reviewed by independent auditors. Certain historical financials that are not included in this Offering Circular may not be directly comparable to the financials contained herein. As such, financial information published in the PRC by the Group should not be relied upon by potential purchasers to provide the same quality of information associated with any audited information.

RISKS RELATING TO THE NOTES

The PRC government has no obligations under the Notes.

The PRC government (including the Chengdu Municipal Government) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Notes in lieu of the Issuer. This position has been reinforced by the Circular of the Ministry of Finance on Issues relevant to the Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知, 財金[2018] 23號)(the “**MOF Circular**”) promulgated on 28 March 2018 and which took effect on the same day, and the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知)(the “**Joint Circular**”) promulgated on 11 May 2018 and which took effect on the same day.

The PRC government (including the Chengdu Municipal Government) as the ultimate shareholder of the Issuer only has limited liability in the form of its equity contribution in the Issuer. As such, the PRC government does not have any payment obligations under the Notes. The Notes are solely to be repaid by the Issuer as an obligor under the relevant transaction documents and as an independent legal person.

The Notes are unsecured obligations.

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

- the Issuer enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;

- there is a default in payment under the Issuer's secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's indebtedness.

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

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

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible economic scenarios, such as interest rate and other factors which may affect its investment and the ability to bear the applicable risks.

An active trading market for the Notes may not develop.

The Notes are a new issue of securities for which there is currently no trading market. Although an application will be made to the HKSE for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only, no assurance can be given that such application will be approved, or even if the Notes become so listed, an active trading market for the Notes will develop or be sustained. No assurance can be given as to the ability of holders to sell their Notes or the price at which holders will be able to sell their Notes or that a liquid market will develop. The liquidity of the Notes will be adversely affected if the Notes are held or allocated to limited investors. None of the Joint Lead Managers is obligated to make a market in the Notes, and if the Joint Lead Managers do so, they may discontinue such market making activity at any time at their sole discretion. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders will only be able to resell their 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.

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

Developments in other markets may adversely affect the market price of the Notes.

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Notes is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issues in other countries, including the PRC. Since the global financial crisis in 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Notes could be adversely affected.

Investment in the Notes is subject to exchange rate risks.

Investment in the Notes is subject to exchange rate risks. The value of the U.S. dollar against the Renminbi and other foreign currencies fluctuates and is affected by changes in the United States and international political and economic conditions and by many other factors. The Issuer will make all payments of interest and principal with respect to the Notes in U.S. dollar. As a result, the value of these U.S. dollar payments may vary with the prevailing exchange rates in the marketplace. If the value of the U.S. dollar depreciates against the Renminbi or other foreign currencies, the value of a Noteholder's investment in Renminbi or other applicable foreign currency terms will decline.

Changes in interest rates may have an adverse effect on the price of the Notes.

The Noteholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the prices of the Notes, resulting in a capital loss for the Noteholders. However, the Noteholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Notes may rise. The Noteholders may enjoy a capital gain, but interest payments received may be reinvested at lower prevailing interest rates. As the Notes will carry a fixed interest rate, the trading price of the Notes will consequently vary with the fluctuations in interest rates. If the Noteholders propose to sell their Notes before their maturity, they may receive an offer lower than the amount they have invested.

The Issuer may be unable to redeem the Notes.

On certain dates, including but not limited to the occurrence of a Change of Control or a Non-Registration Event and at maturity of the Notes, the Issuer may, and at maturity, will be required to redeem all of the Notes. 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. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. Failure to redeem the Notes by the Issuer, in such circumstances, would constitute an Event of Default under the Notes, which may also constitute a default under the terms of other indebtedness of the Issuer or its subsidiaries.

Any failure to complete the relevant filing with SAFE within the prescribed timeframe following the issue of the Notes may have adverse consequences for the Issuer and/or investors of the Notes.

SAFE issued the Administrative Measures for Foreign Debt Registration (外債登記管理辦法)(the “**Foreign Debt Registration Measures**”) on 28 April 2013, which came into effect on 13 May 2013.

According to the Foreign Debt Registration Measures, the debtor shall submit foreign debt registration when borrowing foreign debts in accordance with laws and regulations. For the domestic debtors besides financial institutions and banks (“**Non-Bank Debtors**”), they shall submit filing or registration procedures of foreign debts with the local counterparts of the SAFE. According to the Operation Guidelines for Administration of Foreign Debt Registration (外債登記管理操作指引) promulgated together with Foreign Debt Registration Measures, Non-Bank Debtors shall complete foreign debt registration procedure within 15 working days after execution of related deeds of foreign debts.

In addition, the PBOC issued the Circular on Relevant matters about the Macro-Prudential Management of Cross-Border Financing in Full Aperture (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》) and which came into effect on 12 January 2017. In 23 November 2017, SAFE issued the Guidelines for the Operation of Foreign Exchange Operations on Capital Projects (2017 edition)(《國家外匯管理局綜合司關於印發資本專案外匯業務操作指引(2017)年版的通知》). The Issuer understands from consultation with local SAFE that the aforementioned circular and guidelines will be applicable to the issue of the Notes, and the Issuer is required to complete the filing with the SAFE within five PRC business days after the delivery of the Notes. Pursuant to article 40 of the Foreign Debt Administration Provisional Rules (外債管理暫行辦法) promulgated by MOF, the NDRC and SAFE, a failure by a domestic entity to register a foreign debt contract will render the contract not legally binding and unenforceable. Thus, before such registration of the Notes is completed, it is uncertain whether the Notes are enforceable as a matter of PRC law and it may be difficult for Noteholders to recover amounts due from the Issuer, and the Issuer may not be able to remit the proceeds of the issue of the Notes into the PRC or remit money out of the PRC in order to meet its payment obligations under the Notes. In the unlikely event that the Issuer is unable to complete such registration within the relevant time period, Noteholders will have the right to require the Issuer to redeem their holding of Notes. However, notwithstanding such right, if the Issuer fails to complete the registration with the local branch of SAFE, the Issuer may have difficulty in remitting funds offshore to service payments in respect of the Notes and investors may encounter difficulties in enforcing judgments obtained in the Hong Kong courts with respect to the Notes and the Trust Deed in the PRC. In such circumstances, the value and secondary market price of the Notes may be materially and adversely affected.

The Notes will be structurally subordinated to the existing and future indebtedness and other liabilities of the Issuer’s existing and future subsidiaries, other than the Issuer, and effectively subordinated to the Issuer’s secured debt to the extent of the value of the collateral securing such indebtedness.

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

The Notes are the Issuer's unsecured obligations and will (i) rank equally in right of payment with all the Issuer's other present and future unsubordinated and unsecured indebtedness; (ii) be effectively subordinated to all of the Issuer's present and future secured indebtedness to the extent of the value of the collateral securing such obligations; and (iii) be senior to all of the Issuer's present and future subordinated obligations. As a result, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of the Issuer's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Notes, these assets will be available to pay obligations on the Notes only after all other debt secured by these assets has been repaid in full. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the Notes then outstanding would remain unpaid.

The insolvency laws of the PRC and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Notes are familiar.

Since the Issuer is incorporated under the laws of the PRC, any insolvency proceedings relating to the Issuer even if brought in other jurisdictions, would likely involve the PRC insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Notes are familiar.

The Issuer's subsidiaries, jointly controlled entities and associated companies may be subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to the Issuer, its jointly controlled entities and associated companies.

As a holding company, the Issuer will depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from its subsidiaries, jointly controlled entities and associated companies to satisfy its obligations under the Notes. The ability of the Issuer's subsidiaries, jointly controlled entities and associated companies to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of these companies, applicable laws and restrictions contained in the debt instruments of such companies. There can be no assurance that the Issuer's subsidiaries, jointly controlled entities and associated companies will have distributable earnings or will be permitted to distribute their distributable earnings to it as it anticipates, or at all. In addition, dividends payable to it by these companies are limited by the percentage of its equity ownership in these companies. In particular, the Issuer does not maintain complete control over its jointly controlled entities or associates in which it might hold a minority interest. Further, if any of these companies raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to the Issuer to make payments under the Notes. These factors could reduce the payments that the Issuer receives from its subsidiaries, jointly controlled entities and associated companies, which would restrict its ability to meet its payment obligations under the Notes.

If the Issuer is unable to comply with the restrictions and covenants in its debt agreements (if any), there could be a default under the terms of these agreements, which could cause repayment of its debt to be accelerated.

If the Issuer is unable to comply with its current or future debt obligations and other agreements (if any), there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some debt agreements of the Issuer may contain cross-acceleration or cross-default provisions. As a result, default under one debt agreement of the Issuer may cause the acceleration of repayment of not only such debt but also other debt, including the Notes, or result in a default under other debt agreements of the Issuer. If any of these events occur, the Issuer cannot assure holders that its assets and cash flows would be sufficient to repay in full all of its indebtedness, or that they would be able to find alternative financing. Even if they could obtain alternative financing, there is no assurance that it would be on terms that are favourable or acceptable to them.

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

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

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

The Terms and Conditions of the Notes and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》法釋[2008] 9號), judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts.

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

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

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

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

The Terms and Conditions of the Notes contain provisions for calling meetings of the holders of the Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including those Noteholders who did not attend and vote at the relevant meeting and those Noteholders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of holders of the Notes may be adverse to the interests of the individual holders of the Notes. The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of the holders of the Notes, agree to any modification of the Trust Deed, the Terms and Conditions of the Notes or the Agency Agreement (other than in respect of a reserved matter) which in the opinion of the Trustee will not be materially prejudicial to the interests of the holders of the Notes and to any modification of the Notes, the Trust Deed or the Agency Agreement which is of a formal, minor or technical nature or is to correct a manifest error.

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

The Notes will initially be represented by a Global Note Certificate and holders of a beneficial interest in the Global Note Certificate must rely on the procedures of the relevant Clearing System.

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

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

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

Gains on the transfer of the Notes and interest payable by the Issuer to overseas Noteholders may be subject to tax under PRC tax laws.

Under the Enterprise Income Tax Law of the PRC (“**EIT Law**”) and its implementation rules, any gains realised on the transfer of the Notes by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Notes by

enterprise holders would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, there is uncertainty as to whether gains realised on the transfer of the Notes by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Notes minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the “**Arrangement**”) which was promulgated on 21 August 2006, Noteholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Notes, if such capital gains are not connected with an office or establishment that the Noteholders have in the PRC and all the other relevant conditions are satisfied.

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

On 23 March 2016, the Ministry of Finance and the State Administration of Taxation issued the Circular of Full Implementation of Business Tax to VAT Reform Caishui [2016] No. 36 (《關於全面推開營業稅改徵增值稅試點的通知》財稅[2016]36號, “**Circular 36**”), which introduced a new value-added tax (“**VAT**”) from 1 May 2016. VAT is applicable where the entities or individuals provide services within the PRC. VAT is unlikely to be applicable to any transfer of Notes between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Notes, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Notes is located inside the PRC. Circular 36 and laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

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

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

There can be no assurance as to whether or not payments on the Notes may be made without withholding taxes or deductions applying from the Issue Date on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC or any subdivision or authority therein or thereof having power to tax. Although pursuant to the Terms and Conditions of the Notes, the Issuer is required to gross up payments on account of any such withholding taxes or deductions (whether by way of enterprise income tax (“**EIT**”), business tax, VAT or otherwise), the Issuer also has the right to redeem the Notes at any time in the event (i) it has or will become obliged to pay additional tax amounts on account of any existing or future withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC in excess of the applicable rate on 6 November 2018, or any political subdivision or any authority therein or thereof having power to tax as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or

official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 6 November 2018, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

On 23 March 2016, the Ministry of Finance and the State Administration of Taxation issued Circular 36 which introduces VAT from 1 May 2016. VAT is applicable where the entities or individuals provide services within the PRC. However, Circular 36 and laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties but if the withholding tax applicable increases from that applicable on the pricing date of the Notes as a result of Circular 36, the Issuer is entitled to redeem the Notes under the Terms and Conditions of the Notes. For more details, see “*Taxation – PRC – VAT*”.

If the Issuer redeems the Notes prior to their maturity dates, investors may not receive the same economic benefits they would have received had they held the Notes to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, the Issuer’s ability to redeem the Notes may reduce the market price of the Notes.

The Issuer may issue additional Notes in the future.

The Issuer may, from time to time, and without prior consultation of the Noteholders, create and issue further Notes (see “*Terms and Conditions of the Notes – Further Issues*”) or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Notes.

The rating assigned to the Notes may be downgraded or withdrawn at any time.

The Notes are expected to be rated “Baa3” by Moody’s. The rating represents the opinions of the rating agency and its assessment of the ability of the Issuer to perform its obligations under 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 the Notes. The rating can be lowered or withdrawn at any time. The Issuer is not obligated to inform Noteholders if the ratings are lowered or withdrawn. A reduction or withdrawal of the ratings may adversely affect the market price of the Notes and the Issuer’s ability to access the debt capital markets.

TERMS AND CONDITIONS OF THE NOTES

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

The U.S.\$300,000,000 6.280 per cent. notes due 2021 (the “**Notes**”, which expression includes any further notes issued pursuant to Condition 14 (*Further Issues*) and forming a single series therewith) of Chengdu Hi-tech Investment Group Co., Ltd. (成都高新投資集團有限公司)(the “**Issuer**”) are constituted by, are subject to, and have the benefit of, a trust deed dated 14 November 2018 (as amended or supplemented from time to time, the “**Trust Deed**”) between the Issuer and The Bank of New York Mellon, London Branch as trustee (the “**Trustee**”, which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated 14 November 2018 (as amended or supplemented from time to time, the “**Agency Agreement**”) between the Issuer, The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Notes) and transfer agent (the “**Transfer Agent**”, which expression includes any successor or additional transfer agent appointed from time to time in connection with the Notes), The Bank of New York Mellon, London Branch as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), the paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the Trustee. References herein to the “**Agents**” are to the Registrar, the Principal Paying Agent, the Transfer Agents and the Paying Agents and any reference to an “**Agent**” is to any one of them.

Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours upon prior written notification and satisfactory proof of holding at the registered office for the time being of the Trustee, being at the date hereof One Canada Square, London E14 5AL, United Kingdom and at the Specified Office (as defined in the Agency Agreement) of the Principal Paying Agent.

1. Form, Denomination and Status

- (a) *Form and denomination:* The Notes are in registered form in the denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each, an “**Authorised Denomination**”).
- (b) *Status of the Notes:* The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

*Upon issue, the Notes will be evidenced by a global note certificate (the “**Global Note Certificate**”) substantially in the form scheduled to the Trust Deed. The Global Note Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”), and will be exchangeable for individual Note Certificates (as defined below) only in the circumstances set out therein.*

2. Register, Title and Transfers

- (a) *Register*: The Registrar will maintain a register (the “**Register**”) in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the “**Holder**” of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Noteholder**” shall be construed accordingly. A certificate (each, a “**Note Certificate**”) will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.
- (b) *Title*: The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.
- (c) *Transfers*: Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

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

- (d) *Registration and delivery of Note Certificates*: Within five business days of the surrender of a Note Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, “**business day**” means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (e) *No charge*: The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such payment or indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (f) *Closed periods*: Noteholders may not require transfers to be registered (i) during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes; (ii) during the period of 15 days ending on any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 5(b) (*Redemption for tax*

reasons); and (iii) after a Put Exercise Notice (as defined in Condition 5(c) (*Redemption for a Relevant Event*)) has been delivered in respect of the relevant Notes in accordance with Condition 5(c) (*Redemption for a Relevant Event*).

- (g) *Regulations concerning transfers and registration*: All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be made available by the Registrar to any Noteholder upon prior written request and satisfactory proof of holding.

3. Covenants

- (a) *Negative pledge*: So long as any Note remains outstanding (as defined in the Trust Deed), the Issuer shall not, and the Issuer shall procure that none of its Subsidiaries (other than any Listed Subsidiaries and subsidiaries of such Listed Subsidiary) will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or guarantee or indemnity of Relevant Indebtedness without at the same time or prior thereto (i) securing the Notes equally and rateably therewith or (ii) providing such other security for the Notes either (x) as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or (y) as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Noteholders.
- (b) *Financial Statements etc.*: So long as any Note remains outstanding, the Issuer shall provide to the Trustee:
- (i) (A) a copy of the Issuer Audited Financial Reports within 150 days of the end of each Relevant Period, prepared in accordance with PRC GAAP (audited by a nationally recognised firm of independent accountants of good repute); and (B) a copy of the Issuer Semi-Annual Unaudited Financial Reports within 90 days of the end of each Relevant Period, prepared on a basis consistent with the Issuer Audited Financial Reports, and if the Issuer Audited Financial Reports and/or the Issuer Semi-Annual Unaudited Financial Reports, as the case may be, shall be in the Chinese language, together with an English translation of the same translated by (x) a nationally recognised firm of independent accountants of good repute or (y) a professional translation service provider and checked by a nationally recognised firm of independent accountants of good repute, together with a certificate signed by an Authorised Signatory (as defined in the Trust Deed) of the Issuer certifying that such translation is complete and accurate; and
- (ii) a Compliance Certificate (on which the Trustee may rely as to such compliance) within 14 days of a written request by the Trustee and at the time of provision of the Issuer Audited Financial Reports.
- (c) *Notification to NDRC*: The Issuer undertakes to file or cause to be filed with the NDRC the requisite information and documents within the prescribed timeframe in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015] 2044 號)) issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time (the “**NDRC Post-issue Filing**”).

The Issuer shall comply with all applicable PRC laws and regulations in connection with the issuance of the Notes and shall, within five PRC Business Days after submission of such NDRC Post-issue Filing, (i) provide the Trustee with a certificate (substantially in the form scheduled to the Trust Deed) signed by an Authorised Signatory of the Issuer confirming the submission of the NDRC Post-issue Filing (together with the document(s) filed with the NDRC) and (ii) give notice to the Noteholders in accordance with Condition 15 (*Notices*) of the same.

The Trustee shall have no obligation or duty to monitor or ensure (or otherwise assist with) the completion of the NDRC Post-issue Filing on or before the deadline referred to above or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issue Filing, and shall not be liable to Noteholders or any other person for not doing so. The Trustee may rely on the NDRC Post-issue Filing certificate conclusively without liability to any Noteholder or any other person for the accuracy, validity and/or genuineness of any matters or facts stated therein.

- (d) *SAFE Filing*: The Issuer undertakes to file or cause to be filed with SAFE the requisite information and documents within the prescribed timeframe in accordance with (i) the Administrative Measures for Foreign Debt Registration (《外債登記管理辦法》) issued by SAFE and which came into effect on 13 May 2013, and (ii) the Circular on Relevant Matters about the Macro-Prudential Management of Cross-Border Financing in Full Aperture (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》) issued by the PBOC and which came into effect on 12 January 2017 and any implementation rules, reports, certificates, approvals or guidelines as issued by the SAFE or the PBOC, as the case may be, from time to time (the “**SAFE Filing**”), and to comply with all applicable PRC laws and regulations in relation to the Notes.

The Issuer shall complete the SAFE Filing and within five PRC Business Days after SAFE has notified it of the completion of the SAFE Filing, (i) provide the Trustee with a certificate (substantially in the form scheduled to the Trust Deed) signed by an Authorised Signatory of the Issuer confirming the completion of the SAFE Filing (together with the document(s) (x) evidencing due filing with SAFE and (y) issued by SAFE evidencing the completion of the SAFE Filing) and (ii) give notice to the Noteholders in accordance with Condition 15 (*Notices*) of the same.

The Trustee shall have no obligation or duty to monitor or ensure (or otherwise assist with) the completion of the SAFE Filing on or before the SAFE Registration Deadline or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the SAFE Filing, and shall not be liable to Noteholders or any other person for not doing so. The Trustee may rely on the SAFE Filing certificate conclusively without liability to any Noteholder or any other person for the accuracy, validity and/or genuineness of any matters or facts stated therein.

- (e) *Rating Maintenance*: So long as any Note remains outstanding, save with the approval of an Extraordinary Resolution of Noteholders, the Issuer shall maintain a rating on the Notes by any one Rating Agency.

In these Conditions:

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

- (i) no Event of Default, or an event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 8 (*Events of Default*), become an Event of Default (“**Potential Event of Default**”), had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and
- (ii) the Issuer has complied with all its obligations under the Trust Deed, the Agency Agreement and the Notes or, if the Issuer has not complied with all such obligations, giving details of that non-compliance;

“**Group**” means the Issuer and its Subsidiaries;

“**Hong Kong**” means the Hong Kong Special Administrative Region of the PRC;

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

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

“**Listed Subsidiary**” means, at any time, any Subsidiary of the Issuer, the ordinary voting shares of which are at such time listed on a recognised stock exchange, and “**Listed Subsidiaries**” shall be construed accordingly;

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

“**PBOC**” means the People’s Bank of China of the PRC;

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

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

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

“**PRC GAAP**” means the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and all applicable guidance, bulletins and other relevant accounting regulations issued thereafter, as amended from time to time;

“**Rating Agency**” means (i) S&P Global Ratings, a division of S&P Global Inc., and its successors (“**S&P**”); (ii) Moody’s Investors Service, Inc., a subsidiary of Moody’s Corporation, and its successors (“**Moody’s**”); (iii) Fitch Inc., a jointly owned subsidiary of Fimalac, S.A. and Hearst Corporation, and its successors (“**Fitch**”); and (iv) if one or more of S&P, Moody’s or

Fitch shall not make a rating of the Notes publicly available, any United States nationally recognised securities rating agency or agencies, as the case may be, selected by the Issuer, which shall be substituted for S&P, Moody's or Fitch or any combination thereof, as the case may be;

“Relevant Indebtedness” means any present or future indebtedness incurred outside the PRC which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) (which, for the avoidance of doubt, does not include bilateral loans, syndicated loans or club deal loans);

“Relevant Period” means (i) in relation to the Issuer Audited Financial Reports, each period of twelve months ending on the last day of the Issuer's financial year (being 31 December of that financial year) and (ii) in relation to the Issuer Semi-Annual Unaudited Financial Reports, each period of six months ending on the last day of the Issuer's first-half financial year (being 30 June of that financial year);

“SAFE” means the State Administration of Foreign Exchange or its local counterparts;

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

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

“Subsidiary” means, in relation to any Person (the **“first Person”**) at any particular time, any other Person (the **“second Person”**):

- (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove not less than a majority of members of the governing body of the second Person or otherwise; or
- (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

4. Interest

The Notes bear interest from 14 November 2018 (the **“Issue Date”**) at the rate of 6.280 per cent. per annum (the **“Rate of Interest”**) payable semi-annually in arrear on 14 May and 14 November in each year (each, an **“Interest Payment Date”**) commencing on 14 May 2019, subject as provided in Condition 6 (*Payments*).

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Interest Payment Date shall be U.S.\$31.40 in respect of each Note of U.S.\$1,000 denomination (the **“Calculation Amount”**). The amount of interest payable per Calculation Amount for any other period shall be equal to the product of the Rate of Interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

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

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

5. **Redemption and Purchase**

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 14 November 2021, subject as provided in Condition 6 (*Payments*).
- (b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Noteholders (which notice shall be irrevocable) at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:
 - (i) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 6 November 2018; and
 - (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it;

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

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee:

- (A) a certificate signed by an Authorised Signatory of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and
- (B) an opinion in form and substance satisfactory to the Trustee of independent legal or tax advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment.

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

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

- (c) *Redemption for a Relevant Event*: At any time following the occurrence of a Relevant Event, the Holder of any Note will have the right, at such Holder's option, to require the Issuer to redeem all but not some only of that Holder's Notes on the Put Settlement Date at 101 per cent. of their principal amount (in the case of a Change of Control) or 100 per cent. of their principal amount (in the case of a Non-Registration Event), in each case, together with accrued interest to (but not including) such Put Settlement Date. To exercise such right, the Holder of the relevant Note must deposit at the Specified Office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the Specified Office of any Paying Agent (a "**Put Exercise Notice**"), together with the Note Certificates evidencing the Notes to be redeemed by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 15 (*Notices*). The "**Put Settlement Date**" shall be the 14th day after the expiry of such period of 30 days as referred to above.

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

The Issuer shall give notice to Noteholders in accordance with Condition 15 (*Notices*) and to the Trustee and Principal Paying Agent by not later than 14 days following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by Holders of their rights to require redemption of the Notes pursuant to this Condition 5(c).

In these Conditions:

a "**Change of Control**" occurs when (i) the Controlling Person(s), together cease to, directly or indirectly, have Control of the Issuer or (ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person or Persons, acting together, except where such Person(s) is/are Controlled, directly or indirectly, by the Controlling Person(s);

"**Control**" of any Person means (i) the ownership, acquisition or control of 100 per cent. of the voting rights of the issued share capital of such Person, whether obtained directly or indirectly, (ii) the right to appoint and/or remove all members of such Person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise or (iii) the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of such Person; and the terms "Controlling" and "Controlled" shall have the meanings correlative to the foregoing;

"**Controlling Person(s)**" mean (i) the Chengdu Hi-tech Industrial Development Zone Bureau of Finance and Financial Services (成都高新技術產業開發區財政金融局), (ii) the Administration Committee of the Gaixin District of Chengdu City (成都市高新區管理委員會), (iii) the government of the PRC, and (iv) any other Person directly or indirectly Controlled by the government of the PRC;

a "**Non-Registration Event**" occurs when the Registration Condition has not been satisfied on or prior to the SAFE Registration Deadline;

"**Registration Condition**" means (i) the completion of the SAFE Filing as set out in Condition 3(d) (*SAFE Filing*) on or prior to the SAFE Registration Deadline, and (ii) the receipt by the Trustee of the certificate (together with the document(s) (x) evidencing due filing with SAFE and (y) issued by SAFE evidencing the completion of the SAFE Filing); and

a “**Relevant Event**” means a Change of Control or a Non-Registration Event.

- (d) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (c) (*Redemption for a Relevant Event*) above.
- (e) *Purchase*: The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.
- (f) *Cancellation*: All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries shall be cancelled and may not be reissued or resold.
- (g) *No duty to monitor*: The Trustee shall not be obliged to take any steps to ascertain whether a Relevant Event, Potential Event of Default or Event of Default has occurred or to monitor the occurrence of any Relevant Event, Potential Event of Default or Event of Default, and shall not be liable to the Noteholders or any other person for not doing so.
- (h) *Calculations*: Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption and shall not be liable to the Noteholders or any other person for not doing so.

6. Payments

- (a) *Principal*: Payments of principal and premium (if any) shall be made by transfer to a U.S. dollar account maintained by the payee and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (b) *Interest*: Payments of interest shall be made by transfer to a U.S. dollar account maintained by the payee and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (c) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (d) *Payments on business days*: Payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day. In this paragraph, “**business day**” means any day on which banks are open for general business (including dealings in foreign currencies) in Hong Kong, London and New York City and, in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).

- (e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (f) *Record date*: Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the close of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**").

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

7. Taxation

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

Where such withholding or deduction is made by the Issuer by or within the PRC up to and including the rate applicable on 6 November 2018 (the "**Applicable Rate**"), the Issuer will pay such additional amounts as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required.

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

- (a) held by a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note; or
- (b) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such Additional Tax Amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days.

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

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

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

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 7 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Noteholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

8. Events of Default

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

- (a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes on the due date for payment thereof, and in the case of interest, the default continues for a period of 14 days; or
- (b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Trust Deed (other than those the breach of which would give rise to a redemption pursuant to Condition 5(c) (*Redemption for a Relevant Event*)) and such default (i) is incapable of remedy or (ii) being a default which is capable of remedy remains unremedied for 45 days after the Trustee has given written notice thereof to the Issuer; or

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

- (i) any indebtedness in respect of moneys borrowed or raised by the Issuer or any of its Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;
- (ii) any such indebtedness in respect of moneys borrowed or raised by the Issuer or any of its Subsidiaries becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the relevant Subsidiary or (*provided that* no event of default, howsoever described, has occurred) any person entitled to such indebtedness; or
- (iii) the Issuer or any of its Subsidiaries fails to pay when due or (as the case may be) within any originally applicable grace period, any amount payable by it under any guarantee of any indebtedness;

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

- (d) *Unsatisfied judgment:* one or more final, non-appealable judgment(s) or order(s) for the payment of an amount in excess of U.S.\$30,000,000 (or its equivalent in any other currency or currencies), whether individually or in the aggregate, is rendered against the Issuer or any of its Principal Subsidiaries and continue(s) unsatisfied and unstayed for a period of 45 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (e) *Security enforced:* a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a material part of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries, and is not discharged within 45 days; or
- (f) *Insolvency, etc.:* (i) the Issuer or any of its Principal Subsidiaries becomes insolvent or is unable to pay the whole or a material part of its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer or any of its Principal Subsidiaries or the whole or a material part of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries, (iii) the Issuer or any of its Principal Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of the whole or a material part of its indebtedness or any guarantee of any indebtedness given by it and such action is not discharged or stayed within 45 days or (iv) the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business (otherwise than, in the case of a Principal Subsidiary, (A) for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent, (B) whereby the undertaking, assets and revenues of a Principal Subsidiary is transferred to or otherwise vested in the Issuer or another Subsidiary of the Issuer or (C) a disposal of a Principal Subsidiary or such Principal Subsidiary's business and assets on an arm's length basis where the proceeds or other considerations resulting from such disposal are fully vested in the Issuer or another Subsidiary of the Issuer); or
- (g) *Winding up, etc.:* an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Principal Subsidiaries (otherwise than, in the case of a Principal Subsidiary, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

- (h) *Analogous event*: any event occurs which under the laws of the PRC has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (g) (*Winding up, etc.*) above; or
- (i) *Failure to take action, etc.*: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes or the Trust Deed, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Note Certificates and the Trust Deed admissible in evidence in the courts of Hong Kong and the PRC is not taken, fulfilled or done; or
- (j) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Trust Deed; or
- (k) *Government intervention*: (i) all or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government without being on arm's length basis or (ii) the Issuer or any of its Principal Subsidiaries is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues.

“Principal Subsidiary” in respect of the Issuer means any Subsidiary:

- (a) whose total revenue (consolidated in the case of a Subsidiary which has Subsidiaries) as shown by its latest audited income statement is at least five per cent. of the consolidated total revenue as shown by the latest published audited income statement of the Issuer and its consolidated Subsidiaries; or
- (b) whose net profit (consolidated in the case of a Subsidiary which itself has Subsidiaries, excluding intra-group items) as shown by its latest audited income statement, is at least five per cent. of the consolidated net profit as shown by the latest published audited consolidated income statement of the Issuer and its consolidated Subsidiaries; or
- (c) whose net assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) as shown by its latest audited balance sheet, are at least five per cent. of the consolidated net assets of the Issuer and its consolidated Subsidiaries as shown by the latest published audited consolidated balance sheet of the Issuer and its consolidated Subsidiaries, including the investment of the Issuer and its consolidated Subsidiaries in each subsidiary whose accounts are not consolidated with the consolidated audited accounts of such Person and of associated companies and after adjustment for minority interests;
- (d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall cease to be a Principal Subsidiary at the date on which the first published audited accounts (consolidated, if appropriate) of the Issuer prepared as of a date later than such transfer are issued, unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above,

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

- (i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer and its Subsidiaries for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Issuer and its Subsidiaries adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;
- (ii) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries, no consolidated accounts are prepared and audited, total revenue, net profit or net assets of the Issuer and/or any such Subsidiary shall be determined on the basis of *pro forma* consolidated accounts prepared for this purpose by or on behalf of the Issuer;
- (iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its total revenue, net profit or net assets (consolidated, if appropriate) shall be determined on the basis of *pro forma* accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by or on behalf of the Issuer; and
- (iv) if the accounts of any subsidiary (not being a Subsidiary referred to in provision (i) above) are not consolidated with those of the Issuer, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a *pro forma* consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing of the Issuer).

A certificate prepared by an Authorised Signatory of the Issuer certifying that, in his opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties. The certificate will, if there is a dispute as to whether any Subsidiary is or is not a Principal Subsidiary, be accompanied by a report by a nationally recognised firm of independent accountants of good repute addressed to the directors of the Issuer as to proper extraction of the figures used by the Issuer in determining the Principal Subsidiaries of the Issuer and the mathematical accuracy of the calculation, *provided* that the Issuer shall not be required to provide such a report if its external auditors refuse to provide such a report as a result of a policy of such external auditors not to provide such report.

9. Prescription

Claims for principal, premium (if any) and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years (in the case of principal or premium (if any)) or five years (in the case of interest) of the appropriate Relevant Date.

10. Replacement of Note Certificates

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

11. Trustee and Agents

Under the Trust Deed, the Trustee is entitled to be indemnified and/or provided with security and/or pre-funded to its satisfaction and relieved from responsibility in certain circumstances and to be paid its fees, costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee and Agents are entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

In the exercise of its functions, rights, powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual Holders of Notes as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

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

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

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given by the Issuer to the Noteholders in accordance with Condition 15 (*Notices*).

12. Meetings of Noteholders; Modification and Waiver

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

In addition, a resolution in writing signed by or on behalf of Noteholders, who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed, holding not less than 90 per cent. in aggregate principal amount of the Notes then

outstanding, will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

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

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter.

- (c) *Directions from Noteholders:* Notwithstanding anything to the contrary in the Notes, the Trust Deed and/or the Agency Agreement, whenever the Trustee is required or entitled by the terms or conditions in the Notes, the Trust Deed and/or the Agency Agreement to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Noteholders by way of an Extraordinary Resolution and shall have been indemnified and/or provided with security and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions.
- (d) *Certificates and Reports:* The Trustee may rely without liability to Noteholders on a report, advice, opinion, confirmation or certificate or any advice of any lawyers, valuers, accountants (including auditors and surveyors), financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, opinion or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Noteholders.

13. Enforcement

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

- (a) it has been so requested in writing by the Holders of at least one-quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (b) it has been indemnified and/or provided with security and/or pre-funded to its satisfaction.

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

14. Further Issues

The Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest and the timing to perform and complete the NDRC Post-issue Filing and the SAFE Filing) so as to form a single series with the Notes. However, such further securities may only be issued if (i) the Rating Agency which has provided credit ratings in respect of the Notes has been informed of such issue; and (ii) such issue will not result in any adverse change in the then credit rating of the Notes. The Issuer may from time to time create and issue other series of notes having the benefit of the Trust Deed *provided that* such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed.

15. Notices

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

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

16. Currency Indemnity

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify the Trustee and each Noteholder, on the written demand of the Trustee or such Noteholder addressed to the Issuer and delivered to the Issuer, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which the Trustee or such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

17. Governing Law and Jurisdiction

- (a) *Governing law:* The Notes, the Agency Agreement and the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes, the Agency Agreement and the Trust Deed are governed by English law.
- (b) *Jurisdiction:* The Issuer has in the Trust Deed (i) agreed that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with

the Notes); (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; (iii) designated Cogency Global (HK) Limited (currently at Unit B, 1/F, Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong) to accept service of any process on its behalf; (iv) consented to the enforcement of any judgment; and (v) to the extent that it may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

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

The Notes will be in registered form in the denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. The Notes will be represented by beneficial interests in a Global Note Certificate in registered form, which will be registered in the name of a nominee of, and deposited on or about the Issue Date with, a common depository for Euroclear and Clearstream. Beneficial interests in the Global Note Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream.

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

The Global Note Certificate will become exchangeable in whole, but not in part, for Individual Note Certificates if (a) Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 8 (*Events of Default*) occurs.

Whenever the Global Note Certificate is to be exchanged for Individual Note Certificates, such Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered Noteholder of the Global Note Certificate, Euroclear and/or Clearstream to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names such Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Note Certificate at the Specified Office (as defined in the Terms and Conditions of the Notes) of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any Noteholder or the Trustee, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

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

Payments on business days: In the case of all payments made in respect of the Global Note Certificate “**business day**” means any day which is a day on which banks are open for general business (including dealings in foreign currencies) in New York City.

Payment Record Date: Each payment in respect of the Global Note Certificate will be made to the person shown as the Noteholder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the “**Record Date**”) where “**Clearing System Business Day**” means a day on which each clearing system for which this Global Note Certificate is being held is open for business.

Exercise of put option: In order to exercise the option contained in Condition 5(c) (*Redemption for a Relevant Event*) (the “**Put Option**”), the Holder must, within the period specified in the Terms and Conditions of the Notes for the deposit of the relevant Note Certificate and put exercise notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Notes in respect of which the Put Option is being exercised. Any such notice shall be irrevocable and may not be withdrawn.

USE OF PROCEEDS

The proceeds from the issue of the Notes will be approximately U.S.\$298.2 million before the deduction of commission and the other expenses incurred in connection with the issue of the Notes.

The proceeds from the issue of the Notes will be used for the construction of projects and as working capital of the Group.

EXCHANGE RATE INFORMATION

The PBOC sets and publishes daily a central parity 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 20 July 2005, the conversion of Renminbi into foreign currencies was based on rates set daily by the PBOC on the basis of the previous day's inter-bank foreign exchange market rates and then current exchange rates in the world financial markets. During this period, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loan principals and securities trading, still requires the approval of SAFE and other relevant authorities. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PBOC has enlarged the floating band several times since then. On 17 March 2014, the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar was expanded to 2% around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 2% above or below the central parity rate published by PBOC. From 21 July 2005 to 30 June 2015, the value of the Renminbi appreciated by approximately 33.5% against the U.S. dollar. Subsequently, the Renminbi depreciated 4.3% from 30 June 2015 to 31 December 2015. The PBOC authorised the China Foreign Exchange Trading Centre, effective since 4 January 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the business day.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated as set forth in the H.10 statistical release of the Federal Reserve Board:

Period	Noon buying rate			
	Period end	Average ¹	High	Low
		<i>(RMB per U.S.\$1.00)</i>		
2012	6.2301	6.2990	6.3879	6.2221
2013	6.0537	6.1478	6.2438	6.0537
2014	6.2046	6.1620	6.2591	6.0402
2015	6.4778	6.2827	6.4896	6.1870
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7569	6.9575	6.4773
2018				
January	6.2841	6.4233	6.5263	6.2841
February	6.3280	6.3183	6.3471	6.2649
March	6.2726	6.3174	6.3565	6.2685
April	6.3325	6.2967	6.3340	6.2655
May	6.3903	6.3631	6.3903	6.3325
June	6.6171	6.4651	6.6235	6.3850
July	6.8038	6.7164	6.8102	6.6123
August	6.8300	6.8453	6.9330	6.8018
September	6.8680	6.8551	6.8880	6.8270
October (through 26 October 2018)	6.9425	6.9116	6.9477	6.8680

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

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated capitalisation and indebtedness of the Group as of 30 June 2018 and as adjusted to give effect to the issue of the Notes, before the payment of fees, expenses and commission in connection with the offering. The following table should be read in conjunction with the Group's financial statements and related notes included in this Offering Circular.

	As at 30 June 2018			
	Actual	Actual	As adjusted	As adjusted
	<i>(RMB)</i>	<i>(U.S.\$⁽²⁾)</i>	<i>(RMB)</i>	<i>(U.S.\$⁽²⁾)</i>
	(unaudited)			
Borrowings				
Non-current liabilities coming due within 1 year . . .	8,414,184,960	1,271,581,956	8,414,184,960	1,271,581,956
Long-term payables	316,701,547	47,861,079	316,701,547	47,861,079
Long-term loans	11,603,615,000	1,753,580,118	11,603,615,000	1,753,580,118
Bonds payable	2,337,928,546	353,316,188	2,337,928,546	353,316,188
Notes to be issued	–	–	1,985,130,000	300,000,000
Total borrowings⁽¹⁾⁽⁴⁾	22,672,430,053	3,426,339,341	24,657,560,053	3,726,339,341
Total owner's equity	15,687,957,420	2,370,820,665	15,687,957,420	2,370,820,665
Total capitalisation⁽³⁾	38,360,387,473	5,797,160,006	40,345,517,473	6,097,160,006

Notes:

- (1) Total borrowings comprise non-current liabilities coming due within 1 year, long-term payables, long-term loans, bonds payable and Notes to be issued
- (2) For convenience only, all translation from Renminbi into U.S. dollars are made at the rate of RMB6.6171 to U.S.\$1.00, based on the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 29 June 2018.
- (3) Total capitalisation equals the sum of total borrowings and total owner's equity.
- (4) Since 30 June 2018 the Group has entered into additional financing arrangements in the ordinary course of its business. As at 1 November 2018, the total borrowings of the Group was approximately RMB 26,727 million.

Except as otherwise disclosed above, there has been no material adverse change in the total capitalisation of the Issuer since 30 June 2018.

DESCRIPTION OF THE GROUP

OVERVIEW

The Group was established in 1996 and is primarily responsible for the construction of infrastructure and development of industrial parks. The Group plays a key role in supporting and promoting the economic and social development of Chengdu. As at 30 June 2018, the Group is the largest infrastructure construction and development company in the Chengdu Hi-tech Industrial Development Zone (成都高新技術產業開發區)(the “**Chengdu Hi-Tech Zone**” or “**Hi-Tech Zone**”).

As at 30 June 2018, the registered capital of the Group is approximately RMB20,696 million. The Issuer is a state-owned company wholly-owned by the Administrative Committee of Chengdu Hi-tech Industrial Development Zone (成都高新技術產業開發區管理委員會)(the “**Chengdu Hi-tech Administrative Committee**”). The Chengdu Hi-tech Administrative Committee is the local representative agent acting on behalf of the Chengdu Municipal Government and has the authority to supervise governmental, economic and administrative matters in relation to the Chengdu Hi-Tech Zone.

As at 31 December 2015, 2016 and 2017 and as at 30 June 2018, the Group’s total assets was RMB32,838.9 million, RMB37,380.0 million, RMB43,408.2 million and RMB48,070.3 million respectively. For the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2017 and 2018, the Issuer’s total revenue was RMB5,519.7 million, RMB4,488.5 million, RMB3,465.3 million, RMB905.0 million and RMB1,064.2 million, respectively. For the years ended 31 December 2015, 2016 and 2017, the Issuer’s net profit was RMB86.6 million, RMB887.0 million and RMB87.8 million, respectively. For the six months ended 30 June 2017 and 2018, the Issuer’s net loss was RMB98.9 million and RMB85.4 million, respectively.

Currently, the Group focuses on five business segments, namely Hi-Tech Zone development, infrastructure construction, commercial property and residential development, merchandise sales and financial services and others.

HISTORY AND DEVELOPMENT

The following are the key milestones of the Issuer:

- | | |
|----------------|---|
| 1996 | On 28 October 1996, the predecessor of the Issuer, Chengdu Hi-tech District Investment Co., Ltd. (成都高新區投資有限公司), was incorporated with an initial registered capital of RMB50 million. It was established with the approval of the Chengdu Hi-tech Administrative Committee. |
| 1997 | The Group was authorised by the Chengdu Hi-tech Administrative Committee to engage in the development and operation of state-owned assets, property rights management and associated consultation services, to ensure value preservation and appreciation. |
| 2000 | The Group included the real estate development and operation in its business scope and became officially involved in the development and operation of industrial real estate and commercial real estate projects. |
| 2001 | The Chengdu Hi-tech State-owned Assets Administration Bureau injected RMB250 million to the Issuer’s registered capital by cash contribution, increasing the Issuer’s registered capital to RMB300 million. |

2002	The Group established Chengdu Hi-tech Investment Real Estate Co., Ltd. as a wholly-owned subsidiary, to further enhance the Group’s business in the development and operation of industrial real estate and commercial real estate projects.
2004	The Finance Bureau of the Chengdu Hi-tech Industrial Development Zone (the “ Chengdu Hi-tech Finance Bureau ”) injected RMB700 million to the Issuer’s registered capital by transfer of land use rights. The Issuer’s registered capital increased to RMB1,000 million.
2005	The Issuer was renamed as Chengdu Hi-Tech Investment Group Co., Ltd.
2006	The Group completed the reform of the equity divisional structure of Chengdu Brilliant Development Group, Inc. through debt forgiveness, capital injection and other modes, and became the largest shareholder of the company, which was then renamed “Chengdu Hi-Tech Development Co., Ltd”, to construct a financing platform in the A-share capital market.
2007	The Chengdu Hi-tech Finance Bureau injected RMB535.5 million to the Issuer’s registered capital by cash contribution, increasing the Issuer’s registered capital to RMB1,535.5 million.
2008	In May, the Chengdu Hi-tech Finance Bureau injected RMB700 million to the Issuer’s registered capital by cash contribution, increasing the Issuer’s registered capital to RMB2,235.5 million. In December, the Chengdu Hi-tech Finance Bureau further injected RMB50 million to the Issuer’s registered capital by cash contribution, increasing the Issuer’s registered capital to RMB2,285.5 million.
2009	In April, the Chengdu Hi-tech Finance Bureau injected RMB100 million to the Issuer’s registered capital by cash contribution, increasing the Issuer’s registered capital to RMB2,385.5 million. In May, the Chengdu Hi-tech Finance Bureau further injected RMB150 million to the Issuer’s registered capital by cash contribution, increasing the Issuer’s registered capital to RMB2,535.5 million. In June, the Chengdu Hi-tech Finance Bureau further injected RMB300 million to the Issuer’s registered capital by cash contribution, increasing the Issuer’s registered capital to RMB2,835.5 million.
2010	In March, the Chengdu Hi-tech Finance Bureau injected RMB250 million to the Issuer’s registered capital by cash contribution, increasing the Issuer’s registered capital to RMB3,085.5 million. In October, the Chengdu Hi-tech Finance Bureau further injected RMB850 million to the Issuer’s registered capital by cash contribution, increasing the Issuer’s registered capital to RMB3,935.5 million. The construction of GDS Chengdu Data Centre, the first new-generation green data centre in western China was completed, for which Chengdu Hi-tech Investment Construction and Development Co., Ltd. was the construction agent.

- 2011 In March, the Chengdu Hi-tech Finance Bureau injected RMB500 million to the Issuer’s registered capital by cash contribution, increasing the Issuer’s registered capital to RMB4,435.5 million.
- In December, the Chengdu Hi-tech State-owned Assets Administration Bureau injected RMB956.9 million to the Issuer’s registered capital by transfer of land use rights and tangible assets, increasing the Issuer’s registered capital to RMB5,392.4 million.
- In the same month, the Chengdu Hi-tech State-owned Assets Administration Bureau further injected RMB574.6 million to the Issuer’s registered capital by cash contribution, increasing the Issuer’s registered capital to RMB5,967.0 million.
- 2012 In June, the Chengdu Hi-tech Finance Bureau injected RMB900 million to the Issuer’s registered capital by cash contribution, increasing the Issuer’s registered capital to RMB6,867.0 million.
- In the same month, the Chengdu Hi-tech Finance Bureau further injected RMB864.9 million to the Issuer’s registered capital by transfer of land use rights and tangible assets, increasing the Issuer’s registered capital to RMB7,731.8 million.
- In December, the Chengdu Hi-tech Finance Bureau injected RMB3,156.1 million to the Issuer’s registered capital by transfer of land use rights and tangible assets, increasing the Issuer’s registered capital to RMB10,887.9 million.
- In the same month, the Chengdu Hi-tech Finance Bureau further injected RMB100 million to the Issuer’s registered capital by cash contribution, increasing the Issuer’s registered capital to RMB10,987.9 million.
- 2013 The Chengdu Hi-tech Finance Bureau injected RMB96.3 million to the Issuer’s registered capital by transfer of capital reserves, increasing the Issuer’s registered capital to RMB11,084.0 million.
- The Group completed the Fortune Forum Key Supporting Construction Project, which ensured the success of the Fortune Global Forum.
- 2014 The Chengdu Hi-tech Finance Bureau injected RMB2,412.0 million to the Issuer’s registered capital by transfer of all shares in Chengdu Hi-tech District Tuoxin Industry Investment Co., Ltd. (成都高新區拓新產業投資有限責任公司), increasing the Issuer’s registered capital to RMB13,496 million.
- 2016 The Working Committee of Chengdu Hi-tech Industrial Development Zone appointed Ran Guangjun as the Secretary of the Party Committee and the Chairman of the Issuer.

2017 The Issuer amended the name of its shareholder in its Articles of Association from Chengdu Hi-tech Industrial Development Zone Finance Bureau (成都高新技術產業開發區財政局) to Chengdu Hi-tech Industrial Development Zone Bureau of Finance and Financial Services (成都高新技術產業開發區財政金融局) (the “**Chengdu Hi-tech Finance and Financial Services Bureau**”), along with a change to the shareholder’s registered address to 6F, Tower A, Hi-tech International Square, No. 18, Tianfu Avenue North, Chengdu Hi-tech District, China (Sichuan) Pilot Free Trade Zone in the Issuer’s Articles of Association.

In December, the Chengdu Hi-tech Finance and Financial Services Bureau agreed to inject RMB7,200 million to the Issuer’s registered capital by instalments over the duration of 10 years, increasing the Issuer’s registered capital to RMB20,696 million.

In the same month, the Chengdu Hi-tech Finance and Financial Services Bureau injected RMB1,458 million to the Issuer’s as paid-up capital by transfer of cash and debt-equity swap amounting to RMB474 million and RMB984 million, respectively.

The Group issued the first corporate bond that was solely for the purpose of funding the “mass entrepreneurship and innovation” initiative, under the direct approval from Premier Li Keqiang, who called for a nationwide roll out to widen the funding channel for supporting this initiative.

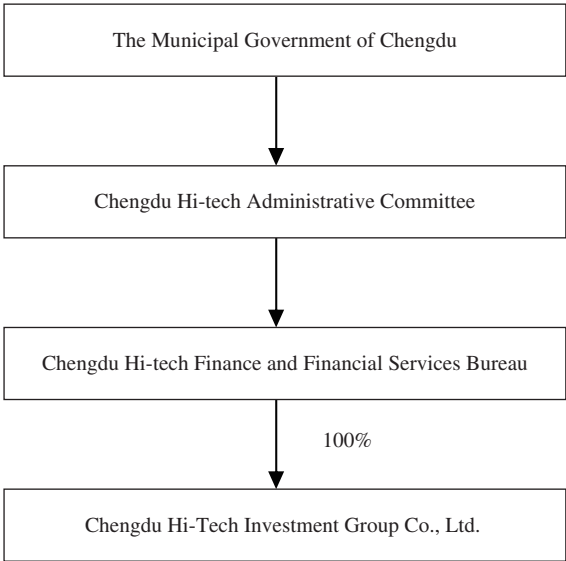
HONOURS AND AWARDS

The Group has received various honours and awards in recognition of its achievements. The table below sets forth its major honours and awards in recent years:

<u>Year</u>	<u>Honours and Awards</u>
2017	Top 100 Enterprises in Chengdu Top 100 Service-oriented Enterprises in Chengdu Sichuan Provincial-level Outstanding Technological Business Incubator
2016	Top 10 Enterprises for Promotion of Employment and Entrepreneurship Top 100 Taxpayers in Chengdu Hi-Tech Zone
2015	Top 50 Service Providers in Chengdu

CORPORATE STRUCTURE

The following chart sets out the corporate structure of the Group, showing the shareholder of the Group as at the date of the Offering Circular:



COMPETITIVE STRENGTHS

The Group believes it has the following competitive strengths that have led to its success and are important to its future development:

Well-positioned to benefit from Chengdu’s economic strength and Chengdu Hi-Tech Zone’s growing opportunities

The Group believes that its business success and growth potential are largely attributable to the economic strength of Chengdu and the growing competitiveness of Chengdu Hi-Tech Zone, where the Group undertakes important projects and conducts its business.

Chengdu

Chengdu is the capital city of Sichuan Province. Located in the southwest of China, Chengdu has developed into the central city of technology, business, finance, transportation and telecommunications in that region. Since November 1991, PRC State Council has been promoting China's Western Development Strategy (西部大開發戰略) for the targeted development of the western regions in China, which covers six provinces (including Sichuan), five autonomous regions and one municipality. In June 2007, PRC State Council approved Chengdu and Chongqing as the Experimental Areas for the National Urban and Rural Comprehensive Reform (統籌城鄉綜合配套改革試驗區). Following the implementation of such policies, Chengdu has experienced a prolonged period of stable economic growth. In 2015, 2016 and 2017, Chengdu's Gross Domestic Product ("GDP") reached approximately RMB1,080.1 billion, RMB1,217.0 billion and RMB1,388.9 billion, respectively. The growth is supported by the combination of high-tech industries, service industries and strategic emerging industries which have gained traction in Chengdu. High-tech industries include the information technology, biomedical and precision machinery industries, and have driven the development of other relevant industries.

Chengdu Hi-Tech Zone

Location of sub-zones in Chengdu Hi-Tech Zone



Proposed and established in 1988, Chengdu Hi-Tech Zone is one of the first state-level high-tech industrial development zones approved by the PRC State Council in 1991. It is a ISO14000 national demonstration zone. Chengdu Hi-Tech Zone has a total built-up area of 613 square kilometres, among which 87 square kilometres belongs to the southern section, 43 square kilometres belongs to the western section and 483 square kilometres belongs to the eastern section. It comprises seven sub-districts and 12 townships, including four sub-districts under Wuhou District in the South Park, one sub-district under Shuangliu District, two sub-districts under Pidu District in the West Park as well as 12 rural townships in Jianyang City of the East Park.

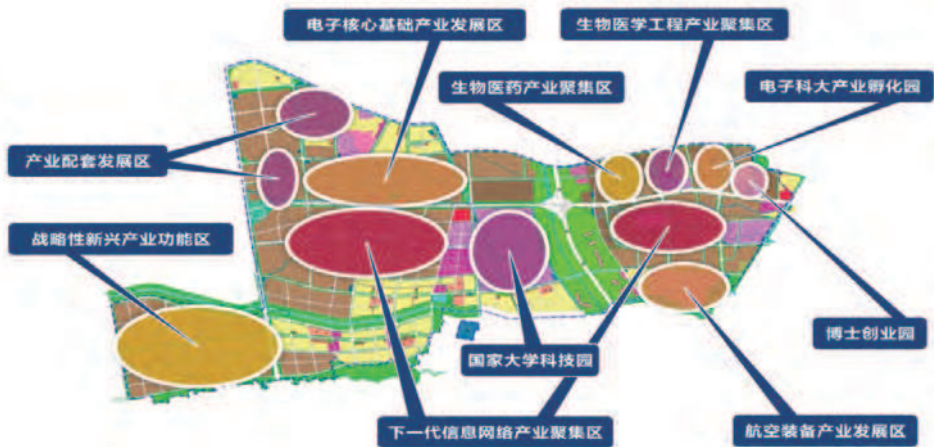
In June 2015, the PRC State Council approved Chengdu Hi-Tech Zone as one of the Independent Innovation Demonstration Zones to facilitate innovation and entrepreneurship. In March 2017, PRC State Council issued the Notice on Issuing the Framework Plan for China (Sichuan) Pilot Free Trade Zone (《關於印發中國(四川)自由貿易試驗區總體方案的通知》) to establish the China (Sichuan) Pilot Free Trade Zone ("FTZ"). The notice provides preferential policies for the areas where the Chengdu Hi-Tech Zone overlaps with that of the FTZ. With a focus on the electronic information systems, biomedical and new economy industries, the Chengdu Hi-Tech Zone aims to build up an innovative industrial cluster with an emphasis on a virtuous cycle of coexistence and collaboration. The Group's aim is to shape an industrial eco-system which relies on multiple pillars of support through the growth

of the aforementioned industries in the zone. The goal is to create a high-end industrial cluster which exerts global influence. In 2017, Chengdu Hi-Tech Zone recorded annual import and export volumes the value of which totalled RMB 238.1 billion, contributing 52 per cent. of the Sichuan Province’s total import and export value.

As at 31 December 2015, 2016 and 2017 and as at 30 June 2018, the gross area of the Hi-Tech Zone was 2.04 million square metres, 2.05 million square metres, 2.06 million square metres and 2.11 million square metres, respectively. As at the same dates, the percentage of such land that was owned by the Group was 98.80 per cent., 99.98 per cent., 99.22 per cent. and 100 per cent., respectively.

In addition, as at the date of this Offering Circular, the Group is the exclusive developer and operator in the West and South Parks and a leading developer of the East Park of the Hi-Tech Zone.

The West Park

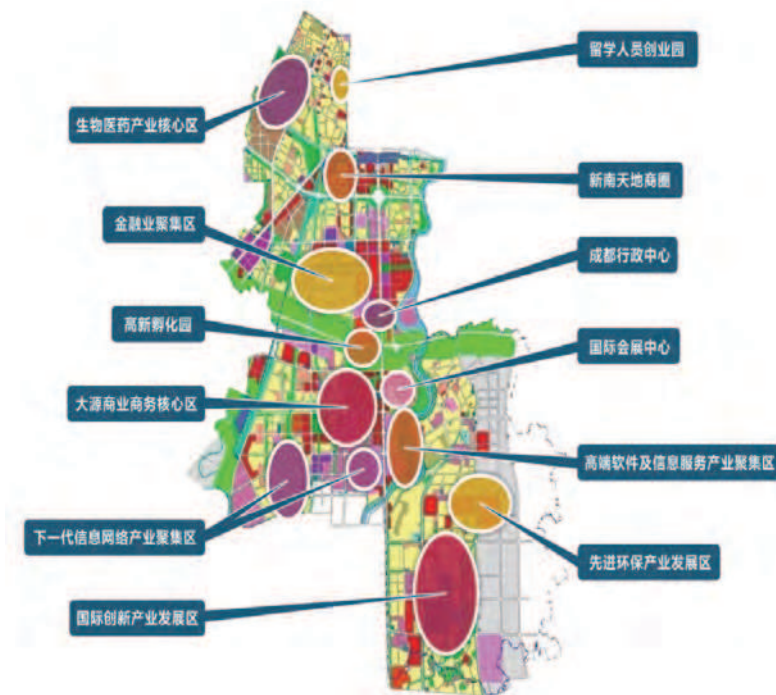


The West Park is positioned as “a cluster for advanced manufacturing and a demonstration zone for school-community co-operation”. Its focus is on advanced manufacturing, and its core industry focus is on strategic emerging industry, such as new generation IT, high-end equipment manufacturing, bio-tech and energy saving and environmental protection. It aims to build a world-class demonstration zone for electronic information industry ecosystem and an upscale manufacturing base exerting influence globally. Further, the West Park is a demonstration zone for school-community co-operation with the University of Electronic Science and Technology of China (UESTC), with the establishment of an innovation and entrepreneurship base.

The West Park includes the Chengdu Hi-Tech Comprehensive Bonded Zone, which has an area of 4.68 square kilometres. In 2016, this bonded recorded total import and export value of RMB157.3 billion, which is a 27 per cent. increase year on year, ranking third among China’s national comprehensive bonded zones.

Key projects in the West Park are the Electronic Industry Area and the Aviation Equipment Industry Area. In the Electronic Industry Area, BOE Technology Group Co., Ltd. invested RMB46.5 billion in building a production base for G6 new-type displays. In the Aviation Equipment Industry Area, over 100 companies including China Electronics Technology Group, Timken and Sichuan HAITE Group operate in aviation electronics, aero maintenance and components manufacturing.

The South Park



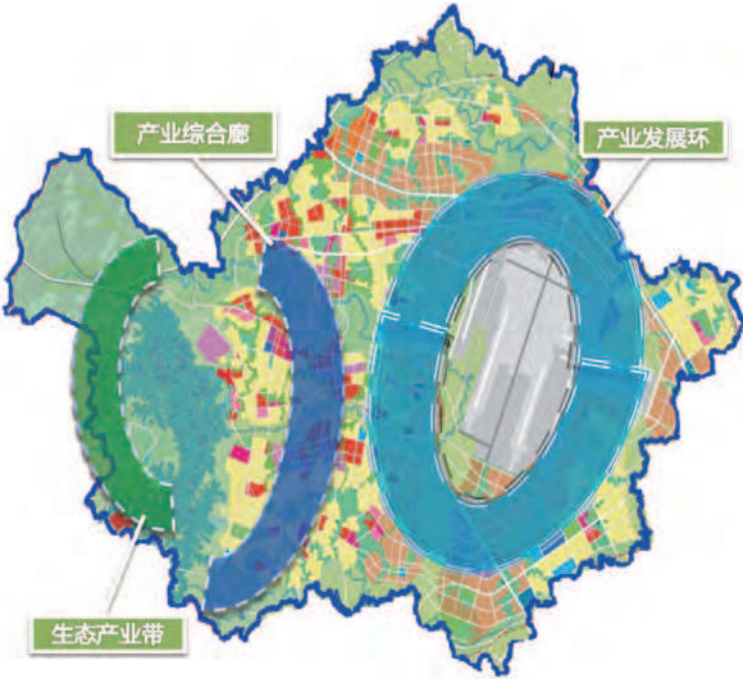
The South Park is positioned as an international hub. It has multiple roles, including as the financial centre, the innovation and entrepreneurship centre, the international exchange centre and the convention and exhibition centre of the Hi-tech Zone. It focuses on developing financial and modern service industries and creating a financial hub in Western China.

Key projects in the South Park are the Business & Innovation Centre for China-Europe Cooperation (“CCEC”) and the Tianfu Software Park.

CCEC’s gross floor area is 210,000 square metres. It houses the EU-China Business and Technology Cooperation Platform, which is EU’s sole incubator in China. It also houses the Sci-tech and Financial Service Mode of Winpower, which is a demonstration platform for integrated Sci-tech and financial services pursuant to the “12th Five-year Plan”. CCEC is essential for the development of the Belt and Road Initiative, the exchanges between western China and foreign nations, and Chengdu-EU co-operation.

Tianfu Software Park is one of the first batch of eleven national software industrial bases in China. As at 30 June 2018, its completed gross floor area is 2.11 million square metres. Tianfu Software Park creates a favourable environment for reputable domestic and foreign software and information service providers to establish a strategic presence in China.

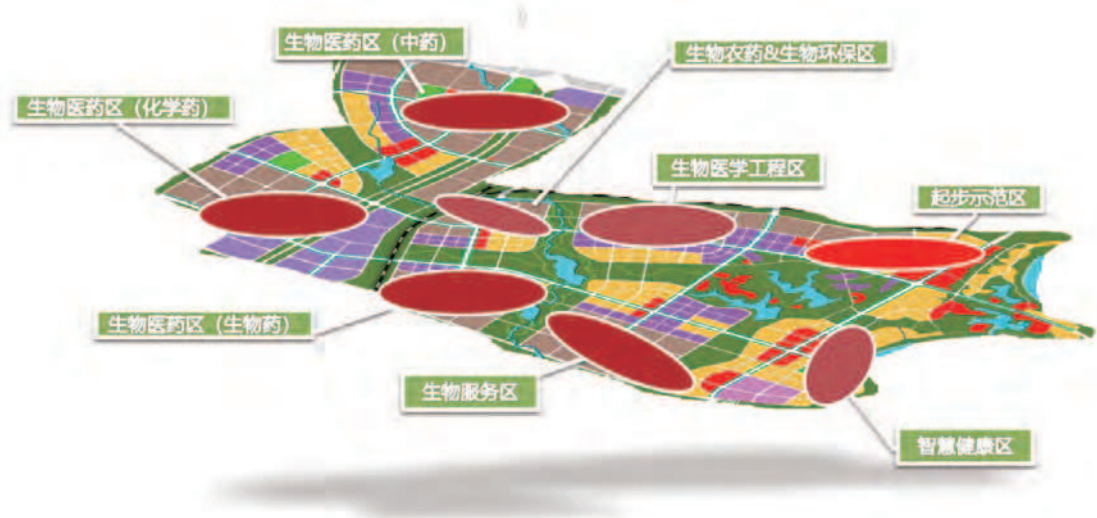
The East Park



The East Park covers an area of 483 square kilometres and is established to support development of the east of Chengdu. Its priorities are the airport services sector, airport intelligent systems manufacturing and innovative new economy services. It is positioned as “a gateway city for the Belt and Road Initiative” with the aim of Chengdu becoming a national centre and a leader in boosting global new economy services.

The East Park benefits from the Chengdu Tianfu International Airport and an integrated transportation network. As at 30 June 2018, the proposed Tianfu International Airport New City intends to be the “second most significant post” for economic and social development in Chengdu. In January 2015, the construction of the new airport was approved by the central government. The construction commenced in May 2016 and is expected to be operational in 2020. The project includes the construction of six runways and a station area for China Southern Airlines. It is expected that the airport will handle 90 million passengers and two million tonnes of freight and mail annually when completed. After the construction completes, Chengdu will be the third city in China which houses two airports in China.

The Chengdu Tianfu International Bio-town



The Chengdu Tianfu International Bio-town covers an area of 44 square kilometres. It is jointly established by Chengdu Hi-Tech Zone and Shuangliu District. It is positioned as a world-class bio-industry zone. In this zone, Chengdu focuses on the development of businesses in the biomedical industry, biomedical engineering, biological services and smart health industries. Key offerings are biotech drugs, new-type chemical medicine preparations, modern traditional Chinese medicine, high-performance medical equipment, smart health systems and precision medicine, as well as professional outsourcing services. It builds a service system featuring medical research & development and production, a full lifecycle and complete industry chain coverage.

A key contributor towards the development of the Hi-Tech Zone through constructing public welfare projects and building a close and collaborative relationship with the local government.

The Group is the key contributor to the welfare construction in the Chengdu Hi-Tech Zone. Since establishment, the Group has built and completed the construction of 454 kilometres of urban roads and pipelines, seven hospitals and community healthcare service centres, 61 kindergartens and schools, 8.39 million square metres of relocation housing for farmers and supporting facilities, 1.75 million square metres of staff apartments, 2.1 million square metres of industrial parks and 2.66 million square metres of industrial projects. Typical projects include the bridge crossing Fu River on the southern extension line of Redstar Road, Tianfu Road Tunnel undercrossing Fucheng Road, Jiannan Road, Shishi Tianfu Middle School, Xinhua School and the Montpellier Primary School.

The Group is involved in the construction of social infrastructure on behalf of the government and is funded in such activities by the government. The funds made available by the government for the projects is generally paid by the Group to contractors of the projects. For the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2017 and 2018, the construction fees on the projects for the government were RMB146 million, RMB132 million, and RMB81 million, RMB46 million and RMB42 million, respectively. Representative construction projects in this area include the Fangcao Health Service Centre and the Xibei Rehabilitation Centre for the Disabled and Service Centre for Senior Citizens.

The Group is also a key contributor in supporting major industrial investments in the Chengdu Hi-Tech Zone. For example, the Group obtained a major entrusted loan in the past following government mandate. This entrusted loan was to BOE Technology Group and is still in the process of being repaid.

As a key contributor to the development of the Hi-Tech Zone in infrastructure investment and construction, the Group has a close and collaborative relationship with the local government. For the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2018, the Group received subsidies from the local government of RMB98 million, RMB150 million, RMB216 million and RMB106 million, respectively. The Group has developed talent apartments in the Hi-Tech Zone in response to the local government's initiative to bring in talents. In December 2017, Chengdu Hi-tech Investment Real Estate Co., Ltd. (成都高投置業有限公司), a subsidiary of the Group, won the bid for the first plot of land for the construction of talent apartments in Hi-Tech Zone at RMB10,124 per square metre, with a total price of RMB740 million.

Industrial parks' high occupancy rate generates stable cash flow and constant growth which is boosted by rising industries

The industrial parks under the Group maintain a high occupancy rate. In the well-established Tianfu Software Park and Tianfu Life Science Park, tenants are largely leading players across various sunrise industries. For the Tianfu Software Park, in 2015, 2016 and 2017 and as at 30 June 2018, the occupancy rate was 85 per cent., 91 per cent., 90 per cent., and 98 per cent., and the rental income was RMB251 million, RMB276 million, RMB325 million and RMB121 million, respectively. For the Tianfu Life Science Park, in 2015, 2016 and 2017 and as at 30 June 2018, the occupancy rate was 81 per cent., 83 per cent., 84 per cent., and 84 per cent., and the rental income was RMB23 million, RMB30 million, RMB36 million and RMB13 million, respectively. The table below sets forth the occupancy rate, retention rate and the rental income of some of the industrial parks under the Group's operation in Hi-tech Zone. Benefiting from the high occupancy rate brought by the tenants in sunrise industries, the Group gained stable cash flow and experienced a constant growth.

Occupancy Rate	2015	2016	2017	1H2018
TianfuSoftware Park	85%	91%	95%	98%
Tianfu Life Science Park	81%	83%	84%	84%
Chengdu Mould Industry Park	73%	76%	79%	82%
Hi-Tech Youth Apartment	55%	53%	59%	68%
Hi-Tech Incubator	95%	95%	93%	95%

Rental Income	2015	2016	2017	1H2018
		<i>(million RMB)</i>		
TianfuSoftware Park	251	276	325	121
Tianfu Life Science Park	23	30	36	13
Chengdu Mould Industry Park	18	18	19	9
Hi-Tech Youth Apartment	61	60	64	40
Hi-Tech Incubator	42	41	39	19

Retention Rate ⁽¹⁾	
TianfuSoftware Park	90%
Tianfu Life Science Park	100%
Chengdu Mould Industry Park	98%
Hi-Tech Youth Apartment	99%
Hi-Tech Incubator	100%

Note (1): As of 30 June 2018

The Group has attracted leading enterprises in different sunrise industries, including the electronic information, bio-industry and new economy industries. Such a cluster of different enterprises has not only contributed positively to the occupancy rate but also diversified the industry base in the industrial parks. Below is an overview of such industrial parks' attraction to these sunrise industries.

Electronic information

In the electronic information sector, the Group has fostered an environment for the development of an integrated IC industry chain covering "IC design-wafer fabrication – assembly & test – end service". It aims to build a "photoelectric display industrial ecosystem". The Group owns several nationally based

licences, including the licence for the national software industrial base and the national software export base. The Group has brought in key leading enterprises including Intel, Texas Instruments, Huawei, Dell, Tencent, Lenovo and Foxconn which have operations in the Hi-Tech Zone.

The Group has brought in BOE Technology Group to its industrial park, where BOE has established the first domestic sixth-generation OLED production line and is now aiming to build one of the largest global leading AM-OLED production bases.

Bio-industry

In the bio-industry sector, the Group focuses on dominant segments, namely biomedicine, biomedical engineering, bio-service and smart health systems. It builds the Chengdu Tianfu International Bio-town. Tianfu Life Science Park and Tianhe Incubation Park are two existing bio-industrial parks. The parks cover an area of 270,000 square metres. As a cluster for the innovation and development of biotechnology, the parks have brought in nearly 300 well-known enterprises and institutions in the pharmaceutical industry from both the PRC and abroad, including Sichuan Nigale Biomedical, Medtronic, Maccura Biotechnology, Southwest Medical, Alltech, Chengdu Brilliant Pharmaceutical Group, Chengdu Rongsheng Pharmaceuticals and Di'ao Group Chengdu Pharmaceutical Co.,Ltd, which have operations in the Hi-Tech Zone.

New economy

In the new economy sector, the Group focuses on precision medicine, artificial intelligence, virtual reality, sensory control, big data, gaming & animation, energy efficiency, advanced environmental protection, FinTech and other segments. Enterprises which have operations in the Hi-Tech Zone include BOE Technology Group, Source Photonics and Foxconn.

Sound and stable financial performance coupled with diversified funding channels

The Group maintains an optimised financing structure by leveraging multiple funding channels. As at 31 December 2015, 2016 and 2017 and as at 30 June 2018, the Group's total debts expressed as a percentage against its total assets was 63 per cent., 63 per cent., 64 per cent. and 67 per cent., respectively. The Group's available cash flow remained sufficient under this optimised financing structure during these periods, at RMB5,339 million, RMB5,893 million, RMB6,280 million and RMB6,134 million, respectively. The Group's financing channels include bank loans and debt issuance in the capital markets, directly or indirectly. As at 30 June 2018, approximately 19.3 per cent., 19.5 per cent., 16.9 per cent., 12.5 per cent. and 1.7 per cent. of the Group's total indebtedness consisted of secured loans, credit loans, bonds, guaranteed loans and long-term payables, respectively.

The Group maintains close and long-term co-operative relationships with different types of banks with an adequate credit line. The banks include policy banks, such as the Export-import Bank of China and the China Development Bank, and various domestic and foreign commercial banks, such as the Bank of China, the Industrial and Commercial Bank of China and The Hongkong and Shanghai Banking Corporation Limited. As at 30 June 2018, the Group had credit facilities in the total amount of approximately RMB32.7 billion, of which RMB15.5 billion had not been utilised. As such, the Group believes that it has a robust liquidity position with access to diversified funding sources.

Effective corporate governance implemented by the management team with extensive experience and sector expertise

The Group has established a sound and effective corporate governance structure, which is in line with the modern corporate practice. Its corporate governance system includes the establishment and maintenance of overall financial policies, a management system for information disclosure relating to the Group's debt financing instruments, a financial management system, a comprehensive budget management system, systems concerning investment, financing and guarantee, the debt, leverage and capex management. The Group has set up 13 departments to oversee different aspects of the Group's daily operations.

The Group's directors, supervisors and senior management members have extensive experience in the high-tech related operation and investment management. The team possesses diverse skill sets that support the Group's operating strategies, including financial, legal, technological, operational and investment aspects. Please see "*Directors and Senior Management*" for further information. The Group believes that the highly-experienced management team and board of directors have helped it to achieve steady growth and will continue to strategically position it to capture the significant opportunities present in the high-tech development.

BUSINESS STRATEGIES

Continue to carry on its mission in developing the Chengdu Hi-Tech Zone and to enhance its commercial attractiveness

The Group intends to continue to lead the development of the Chengdu Hi-Tech Zone. As a state-level development zone, the Chengdu Hi-Tech Zone is expected to play an increasingly important role in promoting the development of local economy, transportation and logistics. It is expected that the Chengdu Municipal Government will continue to focus on the development of the infrastructure and ancillary facilities to enhance commercial attractiveness of the Chengdu Hi-Tech Zone and promote business activities in it. The Group will continue to carry out its mission to construct infrastructures within the Chengdu Hi-Tech Zone, increase its investment and operations in other business and sectors which the Group believes will present greater growth potential, and capture additional business opportunities arising from the development of the Chengdu Hi-Tech Zone.

Adhere to prudent financial management policies with stringent risk control

The Group believes that a prudent financial management system can reduce operational and financial risks and help achieve long-term sustainable growth. As such, the Group will continue to enhance its financial management system by implementing a stringent financial reporting and control system to comply with legal and regulatory requirements. The Group will also maintain prudent investment policies that target to achieve balance between assets and liabilities, between investment returns and risk taking, and between its principal businesses and its other ancillary business. The Group strives to prudently manage its financial profile while fulfilling investment and development needs to drive its profitability.

Explore new financing channels

The Group has traditionally funded its business operation and working capital through bank loan, and the issuance of medium-term notes, corporate bonds and private placement notes in the domestic market. As at 30 June 2018, approximately 19.3 per cent., 19.5 per cent., 16.9 per cent., 12.5 per cent. and 1.7 per cent. of the Group's total indebtedness consisted of secured loans, credit loans, bonds, guaranteed loans and long-term payables, respectively. With its state-owned background, the Group has maintained long-term relationships with several commercial and other financial institutions in the PRC, including China Construction Bank, Bank of China, Agricultural Bank of China and Industrial and Commercial Bank of China, which has provided low-cost capital to the Group. As at 30 June 2018, the Group had credit facilities in the total amount of approximately RMB32.7 billion, of which RMB15.5 billion has not been utilised. In addition, the Group is also actively seeking opportunities to utilise the capital markets with a view to reducing capital costs and maintaining an optimised financing structure, including the issuance of offshore bonds. The Group intends to explore and employ new financing channels to secure funding on more favourable terms to better support the financing needs of the Group's projects.

Enhance management capability and improve corporate governance structure

The Group will continue to improve and streamline its management structure, so as to strengthen its capabilities in terms of corporate management and internal control. The Group considers that effective management at all organisational levels and among members of the Group is critical to optimise its overall operational efficiency. Mechanisms will be put in place to gradually implement the co-ordination

of tendering and bidding management among various operational units, for example, to avoid two subsidiaries competing against each other for the same project. The Group may also improve its corporate governance structure by further adjusting its organisational structure and re-allocate the functions among departments.

DESCRIPTION OF THE GROUP'S BUSINESS

Overview

The Group is engaged in various business activities covering the development of the Hi-Tech Zone, infrastructure construction, commercial property and residential development, merchandise sales and financial services and others. As at 31 December 2015, 2016 and 2017 and as at 30 June 2018, the Group's total assets were RMB32,838.9 million, RMB37,380.0 million, RMB43,408.2 million and RMB48,070.3 million, respectively. For the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2017 and 2018, the Group's operating revenues were RMB5,418.2 million, RMB4,456.1 million, RMB3,448.3 million, RMB898.8 million and RMB1,052.4 million, respectively.

The following table sets forth a breakdown of the Group's operating revenues from each business segment and as a percentage of its operating revenues for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB (in millions)	%	RMB (in millions)	%	RMB (in millions)	%	RMB (in millions)	%	RMB (in millions)	%
Hi-Tech Zone Development	1,780.4	32.86	2,317.5	52.01	2,205.3	63.95	320.5	36.35	311.9	29.97
Infrastructure Construction	1,582.1	29.02	921.6	20.68	391.1	11.34	234.1	26.55	332.8	31.97
Commercial Property and Residential Development	1,467.1	27.08	703.1	15.78	239.6	6.95	102.8	11.66	88.2	8.47
Merchandise Sales	362.7	6.69	298.7	6.70	374.4	10.86	140.3	15.92	233.3	22.42
Financial Services and others	225.9	4.17	215.2	4.83	237.9	6.90	83.9	9.52	74.6	7.17
Operating Revenues	5,418.2	100.00	4,456.1	100.00	3,448.3	100.00	881.6	100.00	1,040.8	100.00

Hi-Tech Zone Development

Overview

The Group engages in the development, construction, operation and management of all technology and industrial parks in Chengdu Hi-Tech Zone. The Group's development business in the Hi-Tech Zone can be classified into three categories, namely (i) the sale of properties within the technology and industrial parks, (ii) the leasing of properties within the technology and industrial parks, and (iii) the provision of complementary services, for example, property and parking lot management services. For the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2017 and 2018, the Group's operating revenue generated from the development of the Hi-Tech Zone was RMB1,780.4 million, RMB2,317.5 million, RMB2,205.3 million, RMB320.5 million and RMB311.9 million, respectively.

Sale and leasing of properties

All properties to be developed by the Group are acquired via auction bids, and the land transaction fees are funded internally. The construction of the projects is funded internally and by long-term bank loans. Prospective sale and leasing targets are selected based on their fit with the cluster of specific industries in the park and specific clients are invited to the industrial parks by the Group.

The following are the Group's completed and ongoing operational projects:

- Tianfu Software Park (天府軟件園)

This industrial park is one of the first batch of eleven national software industrial bases in the PRC. It serves as the national scientific technological business incubator and the national demonstrative base for entrepreneurship and cultivation of innovative talents. The industrial park

was completed in stages and the first stage commenced operation in 2005. It is a centralised industrial area for local and international high-end software and information technology companies. This project has a planned gross floor area of 3.7 million square metres. Approximately 34 Fortune 500 companies and other well-known enterprises including Alibaba, Tencent, Huawei, IBM, Philips, Dell, PricewaterhouseCoopers, Siemens, Ericsson, Wipro, DHL, NCS, Maersk Group, SAP, NEC, Dell EMC, Garmin and Manulife Corporation have commenced operations in this park. The total investment amount of this park is RMB5.5 billion.

- Tianfu Life Science Park (天府生命科技園)

This park is a research and development and innovation area for corporations in the biomedical industry. This project commenced in 2008 and was completed in 2010. This project has a planned gross floor area of 220,000 square metres. West China Hospital of Sichuan University, Waters Corporation, Chengdu Shengdi Pharmaceutical, RenHe (Group) Development, Ottobock, Qinghai Spring Medical Resources Technology, Shanghai ChemPartner, Sichuan Baili Pharmaceutical, Chengdu Baiyu Technology Pharmaceutical, Chengdu Xinjin Shifeng Medical Apparatus and other local companies have commenced operations in this park. The Tianfu Life Science Park also houses companies incorporated and developed within the park such as Hitgen, Chengdu Antejin Biotechnology, Origissay Diagnostics, Chengdu Yacht Biotechnology, Genekey Biotech (Chengdu) and other companies. The total investment amount of this park is RMB715 million.

- Chengdu Mould Industry Park (成都模具工業園)

This project consists of moulding factories, mechanical processing factories and information technology factories. The park aims to introduce (i) the processing of moulding tools and (ii) projects that support the West Park. The project commenced in 2004 and was completed in 2005. The park is solely for leasing purposes, and prospective lessees are identified through the Group's invitation or nomination by the Bureau of Science, Technology and New Economy Development, Bureau of International Cooperation and Investment Services and other related governmental departments. This project has a gross floor area of 124,500 square metres. The rated rent price of multi-purpose buildings is RMB26 per square metre per month, RMB19 per square metre per month for first floor factories, RMB17 per square metre per month for second and third floor factories and RMB15 per square metre for fourth floor factories. The total investment amount of this park is RMB237.3 million.

- Hi-Tech Youth Apartment (高新青年公寓)

This is a large-scale apartment building for employees working in the large industrial companies and projects in Chengdu Hi-Tech Zone. The project commenced in 2008 and was completed in 2012. This project has a gross floor area of 1.26 million square metres. The total investment amount of this park is RMB5,033 million.

- Hi-Tech Incubator (高新孵化園)

The properties in this park are developed by Chengdu Hi-tech Investment Real Estate Co., Ltd. (成都高投置業有限公司). and are primarily for lease. The project commenced in 2002 and was completed in 2009. This project has a total leasable area of approximately 90,542 square metres. The total investment amount of this park is RMB925.3 million.

- Tianfu Long Island Ecology Headquarters Park (天府長島生態總部園)

The Tianfu Long Island Project is the business project of Chengdu Hi-tech Investment Long Island Real Estate Co., Ltd. (成都高投長島置業有限公司), a subsidiary of the Group. The project commenced in December 2011 and was completed in 2016. This project has a gross floor area of 100,000 square metres. The total investment amount of this park is RMB950 million.

- Next Generation Information Technology Incubator (新一代信息技術孵化園)

The project is located in the Zhonghe District of Chengdu Tianfu New Area. This project focuses on the development and production of new generation information technology and aims to develop internationally recognised production chains, incubators and accelerators. The incubator has a planned site area of 137,280 square metres and a planned gross floor area of 487,900 square metres. The built-up area comprises office buildings, commercial properties and underground parking spaces. The project commenced in 2014 and is due for completion in 2018. The total investment amount of this project is RMB3,057 million. As at 30 June 2018, the Group has invested RMB1,467 million in this project.

- Biomedical Innovation Incubator (生物醫藥創新孵化園)

The project is located within the Singapore-Sichuan Hi-Tech Innovation Park. This project aims to provide incubation services and large-scale companies in the biomedical technology sectors with offices, technological development, business exchanges and other complementary services, among other facilities and services. This project has a planned site area of approximately 112,000 square metres (168 畝) and a planned gross floor area of 294,000 square metres. The project commenced in 2015 and is due for completion in 2018. The total investment amount of this project is RMB1,950 million. As at 30 June 2018, the Group has invested RMB891 million in this project.

- ICON Cloud (ICON 雲端)

This project is located along Tianfu Metro Dayuan Business District (天府新城大源商務片區), covering a total area of 213,000 square metres. This project aims to develop a mixed-use area that consists of ICON tower, concert hall, underground garage, and residential building. The project commenced in 2013 and is scheduled for completion in 2018. The total estimated investment amount of this project is RMB2,951 million. As at 30 June 2018, the Group has invested RMB2,265 million in this project.

Construction of complementary service projects

The Group engages in the general construction of social infrastructure, which includes the building and construction of public auxiliary facilities, apartments for employees within the Hi-Tech Zone and real estate for resettlement purposes.

The Group receives funding for the completion of complementary service projects, including funding from the Bureau of Science, Technology and New Economy Development. The Group applies for funding for the construction of complementary service projects from Chengdu Hi-tech Finance and Financial Services Bureau on an ad-hoc basis according to the actual investment needs of the Hi-Tech Zone. The agency fee charged by the Group for such construction project is generally three per cent. of the value of the projects. The Group engages third-party contractors via public bidding process to carry out construction, and financial accounts with the contractors are settled upon completion of the projects. Upon completion of the projects, the Group then transfers the rights acquired as an agent to the Hi-Tech Zone Administrative Committee. As at 30 June 2018, for its ongoing complementary service projects, the Group has received funding of RMB35,526.8 million and has already made payments to contractors of RMB34,997.3 million, with the difference of RMB529.5 million included in the other current liabilities of the Group.

The following table sets forth the details of some of the construction projects the Group has undertaken and the amount of fiscal funds the Group has received from the Hi-Tech Zone government.

Categories	As at 30 June 2018: No. of extended and new projects	As at 30 June 2018: Fiscal funds from Hi-Tech Zone gov. (RMBm)
Supporting facilities of public buildings	74	2,395
Supporting facilities of industrial projects	55	3,266
Functional supporting facilities	32	1,373
Infrastructure	31	3,240
Ecological projects	30	906
Public services	25	1,463
Landscape projects	9	165
Others	27	45
Total	283	12,853

Infrastructure Construction

Overview

The Group's infrastructure construction business includes the construction of infrastructure, public ancillary facilities, resettlement housing, industrial parks and employees' apartments and commercial real estate development.

The Group primarily carries out its infrastructure construction business through Chengdu Brilliant Construction and Installation Engineering Co., Ltd. (成都倍特建築安裝工程有限公司), which holds a Class A general building construction work certificate in the PRC. Chengdu Brilliant Construction and Installation Engineering Co., Ltd has also obtained the GB/T19001-2016/ISO9001:2015;GB/T50430-2007 Quality Management Systems certification, the GB/T28001-2011/OHSAS 18001:2007 Occupational Health and Safety Management Systems certification and the GB/T24001-2016/ISO14001:2015 Environmental Management Systems certification.

As at 30 June 2018, the Group has constructed 14.39 kilometres. of urban road and pipe network, four kindergartens, primary and secondary schools, 180,800 square metres of agricultural resettlement housing and ancillary facilities, 2.92 million square metres of commercial real estate and 91,400 square meters of industrial parks.

For the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2017 and 2018, the Group's operating revenue generated from the infrastructure construction business was RMB1.6 billion, RMB921.6 million, RMB391.1 million, RMB234.1 million and RMB332.8 million, respectively, accounting for 29.02 per cent., 20.68 per cent., 11.34 per cent., 26.04 per cent. and 31.62 per cent. of the Group's operating revenue, respectively. The decrease in business volume in recent years is as a result of the policies adopted by the Group since 2016 to control the scale of its infrastructure construction business, limit exposure to housing construction and focus on higher quality infrastructure projects with higher profit margins.

Business model

The Group becomes engaged in its construction projects through a bidding process. The Group is normally engaged as project general contractor or construction general contractor for real estate developers or state-owned assets investment companies in Chengdu. The Group plays a key role in managing construction projects as a contractor. Payments are usually received in stages according to the different phases of development. At the start of a project, the Group will be paid a deposit to start the construction of the project. During the construction of the projects, payments will be received in stages. Upon the completion of the final inspection, the Group would normally have received most of the payments due under the contract. A small percentage of the payment may be held back as assurance for

quality during the warranty period. Supplier of construction materials are normally paid only after payment is received from the party issuing the contract. The Group is generally not required to make advance payments to suppliers of construction materials.

For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, the total payment that the Group received in relation to the Group's construction business was RMB955 million, RMB1,066 million, RMB658 million, RMB470 million and RMB293 million, respectively.

Project Description

Over the years, the Group has undertaken and completed a large number of construction projects of strategic importance to Chengdu City.

The following table sets forth the details of some of the construction projects that the Group has completed.

Project name	Commencement Year	Completion Year	Total estimated investment (RMB10,000)	Actual investment (RMB10,000)	Amount cashed (RMB10,000)
國色天鄉住宅四期6號地塊	2013	2014	16,912	16,674	16,674
北大資源·溪山樾項目一期(二標段)	2013	2014	7,268	7,268	7,038
國色天鄉二期商業街C區一期項目	2013	2014	6,811	6,811	6,514
神仙樹四期	2013	2014	9,402	8,086	6,886
彭州市南部新城逸景苑四期項目工程	2013	2015	13,592	13,290	13,290
香榭蘭庭	2013	2015	23,116	23,116	22,938
華陽項目4號樓及地下室(玩家項目)	2013	2015	9,029	9,029	6,039
新川創新科技園市政基礎設施 —新成仁路(新川創新科技園段) 建設工程II標段項目	2013	2015	8,629	8,629	8,629
天樂城北綜合體項目(天悅城)二期	2013	2015	20,052	20,052	19,049
置信·丹郡湖岸一期項目	2013	2016	14,600	14,600	14,600
藍光·金雙楠二期工程二標段 (7-11#、13#、14#樓及地下室)	2013	2015	17,379	17,379	16,510
匯眾中心項目	2013	2016	11,078	11,078	4,912
資陽市國道321 筏子橋至清泉段 道路工程(二期)工程	2014	2016	16,801	16,801	16,801
中大人儒德項目房屋建築工程 施工總承包B區	2014	2016	15,566	15,566	15,566
花城新區道路 —花城大道電子商務一條街段項目	2013	2016	25,989	25,989	25,989
逸都花園2區施工總承包工程	2014	2017	8,815	8,815	5,254
中港·悅蓉府	2013	2015	8,808	8,808	8,808
藍光coco城一期和二期和衛生服務用 房土建總包工程)	2012	2014	32,551	32,551	31,086
市政府第一辦公區燈具安裝工程	2017	2017	16.16	16.16	—
新川創新科技園-中新(成都)創新科技園 開發有限公司 1211#、1912# 辦公室裝修施工	2017	2017	41.66	41.66	—
新川創新科技園-洗瓦堰及白楊溝河道 整治工程一標段	2016	2017	7,357.85	7,357.85	3,547.87
四川石化基地技術創新中心項目	2014	2017	8,514.29	8,514.29	6,158.10
新川創新科技園市政基礎設施-北環線道路 及附屬工程項目	2015	2017	5,888.57	5,888.57	113.79
鷺湖宮15區(國色天鄉住宅四期1號地塊) 一期項目	2015	2017	30,085.65	30,085.65	19,149.20

As at 30 June 2018, the Group had 11 key construction projects under development with a total estimated investment amount of approximately RMB1,727.5 million.

The following table sets forth the details of the Group's construction projects under development as at 30 June 2018:

Project name	Estimated construction costs (RMB10,000)	Construction costs incurred ⁽¹⁾ (RMB10,000)	Investment Plan	
			2018 ⁽¹⁾ (RMB10,000)	2019 ⁽¹⁾ (RMB10,000)
銀川三沙源12區工程	163,48.12	13,981.56	1,000.00	1,366.61
泰達格調青城嵐田(原青城研發社區一期二標段)				
商業園區1#樓及產業園1-12#樓後續工程	1,678.31	1,345.49	200.00	132.82
健康廣場-康嘉逸居(公寓)項目	2,182.32	649.11	1,000.00	533.21
新川創新科技園-IV支2線、IV支3線道路及附屬工程	3,914.27	2,833.22	1,081.05	-
新川創新科技園-III支3/B線道路及附屬工程	3,948.23	2,278.87	1,669.39	-
新川創新科技園-蒲草溝河道整治工程	3,035.24	2,288.85	746.39	-
華惠嘉悅匯廣場項目工程	65,913.54	12,781.67	30,000.00	23,131.87
機場北物流組團片區道路及綜合管廊工程(一期)勘察				
-設計-施工總承包	17,630.55	-	9,000.00	8,630.55
三岔一線道路及綜合管廊工程(一期)勘察				
-設計-施工總承包	35,600.45	2,625.85	13,000.00	19,974.61
孵化園公共服務配套工程(一期)勘察				
-設計-施工總承包	669.64	-	300.00	369.64
倍特香檳華府一期	21,832.86	1,094.90	7,000.00	13,737.96
Total	172,753.62	39,879.52	64,996.84	67,877.26

Note:

- (1) As the initial construction costs are estimated figures, the sum of construction costs incurred and the subsequent investments of a project may be higher than the initial total investment.

Commercial Property and Residential Development

Overview

The Group's commercial property and residential development business includes the leasing and sale of commercial properties and the sale of residential properties. The Group invests in and construct, commercial and residential developments following the acquisition of land through a tender process, an auction or a sale listing. For commercial projects, some properties are sold for one-off revenue whilst the rest of the commercial properties are leased out to generate a consistent stream of income. All residential properties are sold for a profit following completion.

The Group primarily carries out its commercial and residential development business through five operating entities, namely the Issuer, Chengdu Hi-tech Investment Real Estate Co., Ltd. (成都高投置業有限公司), Chengdu Hi-tech Investment Construction and Development Co., Ltd. (成都高投建設開發有限公司), Chengdu Hi-tech Investment Asset Management Co., Ltd. (成都高投資產經營管理有限公司) and Mianyang Brilliant Construction and Development Co., Ltd (綿陽倍特建設開發有限公司).

For the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2017 and 2018, the Group's operating revenue generated from the sale of commercial real estate was RMB457.8 million, RMB498.2 million, RMB206.7 million, RMB82.4 million and RMB78.0 million respectively. For the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2017 and 2018, the Group's operating revenue generated from the sale of residential properties was RMB1,009.4 million, RMB204.8 million, RMB32.9 million, RMB20.5 million and RMB10.1 million. The Group had a lower gross margin generated from the sale of residential properties in 2017, as there was no new residential project launched and the operating income was mainly generated from the sale of remaining residential apartments from previously completed projects.

Business Model

The Group's commercial and residential development is generally carried out on land acquired by the Group via a land auction process. The Group normally funds its commercial and residential real estate business with its internal cash and external funding, such as bank loans or issuance of corporate bonds.

Upon completion of the commercial real estate projects, the Group will retain several commercial development projects for leasing purposes and will sell the rest of the commercial properties for a profit. The Group receives returns on its residential development projects through sale proceeds.

Key projects

As at 30 June 2018, the Group has completed four key commercial property projects and four residential development projects, respectively. The following are some of the Group's key projects relating to the leasing and sale of commercial and residential properties:

- Dayuan International Centre (大源國際中心)

This project, which is located across Chengdu Tianfu Software Park (成都高新區天府軟件園), is a mixed-use commercial urban complex comprising apartments, commercial buildings and hotels. The construction commenced in 2009 and was successfully completed in 2014. This project covers an area of approximately 210,000 square metres, with a total investment of approximately RMB760 million.

- Tiexiang Temple Riverfront (鐵像寺水街)

This project is located in the Chengdu Hi-tech Industrial Development Zone (成都高新產業園區), and comprises 21 standalone buildings and shops along the banks of Xiaojia River, covering 50,459 square metres with a total investment of approximately RMB373 million. The tenants of the shops include various foreign and domestic well-known brands, art galleries, restaurants, cafés and bars. This project commenced in 2011 and was successfully completed in 2012.

- Shangjun (尚郡)

This residential development project is located within a core business district in Tianfu New Town, covering a total area of 193,082 square metres with a total investment of approximately RMB720 million. The construction commenced in 2011 and was successfully completed in 2013.

- Tianyuefu (天悅府)

This residential development project is located within the residential area of Hi-Tech Dayuan (高新大源板塊核心居住區). This project covers a total area of 67,300 square metres, and comprises residential buildings, retail facilities, public facilities and underground parking lot, with a gross floor area of 241,900 square metres, 11,900 square metres, 9,600 square metres and 101,700 square metres, respectively. The total investment amount of the project is approximately RMB1.6 billion. The construction commenced in 2012 and was successfully completed in 2015.

- Brilliant Lingshang (倍特·領尚)

This residential development project is located in Mianyang (綿陽), and is divided into two phases, covering a total area of 45,889 square metres and 68,113 square metres, respectively. The construction of the first stage commenced in 2009, with 324 residential units being successfully built upon completion in 2012. The construction of the second stage commenced in 2011, with 509 residential units being successfully built upon completion in 2016. The total investment amount of this project is approximately RMB360 million.

- Yingjun (英郡)

This project is located in the New Conference and Exhibition Center's Software Park (新會展中心的軟件園片區). The total investment amount of this project is approximately RMB1.25 billion. This housing complex is divided into three phases, and each comprises both residential and commercial areas. It covers a total area of 489,200 square metres, with residential areas accounting for 364,900 square metres and commercial areas accounting for 33,100 square metres. The construction of the three phases commenced in 2007, 2008 and 2010, respectively, and were successfully completed in 2009, 2010 and 2012, respectively.

Merchandise Sales

Overview

The Group's merchandise sales business engages in the sale of goods and services. The Group primarily carries out its merchandise sales business through the Issuer's wholly-owned subsidiary Chengdu Hi-tech Investment International Trade Co., Ltd. (成都高投國際貿易有限公司)(formerly known as Sichuan Chengdu Export Processing Zone International Trade Co., Ltd) (四川成都出口加工區國際貿易有限公司).

The domestic and foreign merchandise sales trading business of the Group consists of two segments, namely (i) trading of products and (ii) provision of trade services. Products traded by the Group include steel, steel pipes, transformers, wire cables and other industrial equipment. The Group also provides services in connection with the import, export and domestic trade of various industrial equipment, warehousing services and the installation and maintenance of industrial equipment. The Group's revenues from its trading business are derived from: (i) sale of domestic goods and (ii) sale of exported goods, including revenue from taxable goods and tax rebate income.

For the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2017 and 2018, the Group's operating revenue generated from the merchandise sales business was RMB362.7 million, RMB298.7 million, RMB374.4 million, RMB140.3 million and RMB233.3 million respectively, representing 6.69 per cent., 6.70 per cent., 10.86 per cent., 15.61 per cent. and 22.17 per cent. respectively, of the Group's total operating revenue for the same periods. For the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2017 and 2018, the Group's gross operating profit generated from the merchandise sales business was RMB34.6 million, RMB15.6 million, RMB15.6 million, RMB7.4 million and RMB8.3 million, respectively, accounting for 2.22 per cent., 1.25 per cent., 1.95 per cent., 3.56 per cent. and 3.99 per cent, respectively, of the Group's total gross operating profits for the same periods.

For the years ended 31 December 2015, 2016 and 2017, the value of the Group's transactions with upstream suppliers amounted to RMB147.7 million, RMB141.4 million and RMB144.8 million, respectively. For the same periods, the value of the Group's transactions with downstream customers was RMB162.8 million, RMB164.9 million and RMB192.0 million, respectively.

Trading of products

The Group develops procurement plans based on the construction and development needs of the Chengdu Hi-Tech Zone. The Group's product trading business complements the construction services provided by two of the Issuer's subsidiaries – Chengdu High-tech Investment Real Estate Co., Ltd (成都高投置業有限公司) and Chengdu High-tech Investment Construction and Development Co., Ltd (成都高投建設開發有限公司), by sourcing high-quality and economical bulk building materials such as steel, cement, electrical equipment, elevators, tiles, plastic-steel doors and windows.

Trade services

The Group provides supplier management consultation services and tax advisory services, which includes customs declaration on raw materials and export tax rebates to enterprises located in Chengdu Hi-Tech Comprehensive Bonded Zone (成都高新綜合保稅區). As at 31 December 2017, the Group had serviced clients such as Intel Corporation, UVCHIP Technology, SMIC, Chengxin Technology, Xinyuan Technology, Molex and Foxconn Technology.

Financial Services and others

Overview

The Group's financial services and others business segment can be classified into two categories, namely (i) financial services, which include the Group's financing guarantee business, micro-loans business, investment business and futures brokerage business, and (ii) other businesses, which include the Group's cabinet manufacturing business and hospitality business.

For the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2017 and 2018, the Group's operating revenue generated from the financial services and other businesses segment was RMB187.8 million, RMB201.6 million, RMB186.4 million, RMB83.9 million and RMB74.6 million, respectively, representing 3.47 per cent., 4.52 per cent., 5.4 per cent. 9.52 per cent., and 7.17 per cent., respectively, of the Group's total operating revenue for the same periods. For the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2017 and 2018, the Group's gross operating profit generated from the financial services and other businesses segment was RMB127.0 million, RMB147.5 million, RMB143.1 million, RMB65.0 million and RMB57.2 million, respectively, accounting for 8.32 per cent., 11.82 per cent., 18.88 per cent. 28.86 per cent. and 33.45 per cent., respectively, of the Group's total gross operating profits for the same periods.

Financial services

(1) Financing guarantee business

The Group primarily carries out its financing guarantee business through the Issuer's subsidiary, Chengdu Hi-tech Investment Financial Guarantee Co., Ltd. (成都高投融資擔保有限公司). It obtained the Financing Guarantee Companies Licence issued by the Finance Department of the People's Government of Sichuan Province (四川省人民政府金融辦公室頒發的融資性擔保機構經營許可證). Clients of the Group's financing guarantee business are predominantly in the information technology and software industry, machinery manufacturing industry and biomedical industry. The Group is able to provide performance guarantees, buyer credit guarantees, bid guarantees and guarantees over a client's working capital or banker's acceptance.

The Group established an internal risk assessment procedure which evaluates the client's risk profile. This determines the guaranteed amount to be offered to the client and the commission charged by the Group for providing the guarantee. In 2017, the commission charged by the Group for providing this service ranges from 1.54 per cent. to 2.80 per cent. of the guaranteed amount. For the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2017 and 2018, the amount of commission charged by the Group was 2.76 per cent., 1.96 per cent., 1.55 per cent., 0.51 per cent. and 0.86 per cent. of the guaranteed amount, respectively.

The Group adopts a conservative approach when dealing with high-risk projects. It has established a risk management taskforce to provide a coherent and unified decision-making process to deal with defaulted or high-risk clients. When dealing with such clients, the Group may implement one or more of the following measures:

- in the event that the net realisation value of the back-to-back guarantee provided by the client is barely sufficient to cover the guaranteed amount provided by the Group, the Group will seek to maximise and guarantee capital recovery by looking for a potential purchaser of the guaranteed assets whilst seeking for a financial settlement with the client;
- in the event that the net realisation value of the back-to-back guarantee provided by the client is progressively turning into a high-risk investment but the client's business may likely continue to operate as usual, the Group will assist the client in seeking other financial institutions to provide back-to-back guarantee and/or to mitigate the risk of default; and/or
- in the event that the net realisation value of the back-to-back guarantee provided by the client is progressively turning into a high-risk investment and with the client increasingly facing the prospect of halting its operations, the Group will look to assist the client in restructuring the company and introducing strategic investors to facilitate the disposal of the guaranteed assets. At the same time, the Group will commence enforcement procedures to locate prospective third-party guarantees and pledgors to maximise the Group's recovery of capital.

As at 31 December 2015, 2016 and 2017 and as at 30 June 2018, the amount of pay-out made by the Group under its financing guarantee business was RMB472.4 million, RMB181.2 million, RMB96.9 million and 51.8 million, respectively. For the same periods, the cumulative pay-out rate was 4.95 per cent., 5.58 per cent., 5.98 per cent. and 6.19 per cent., respectively.

(2) Micro-loans business

The Group primarily carries out its micro-loans business through the Issuer's subsidiary, Chengdu Hi-tech Investment Technology Microfinance Co., Ltd. (成都高新區高投科技小額貸款有限公司). It was established in December 2012 and obtained a written approval (No. 89 [2012]) issued by the Chengdu Pilot Microfinance Office (成都市小額貸款公司試點工作領導小組辦公室). The amount of loans issued was RMB789 million, RMB199 million and RMB180 million in 2015, 2016 and 2017, respectively.

To strengthen the credit risk management system, the Group has implemented measures including pre-loan investigation and review, post-loan supervision and loan collection management. By establishing the pre-loan and post-loan management system, the unification of risk reviewing and post-loan supervision is guaranteed. Based on the standard of the financial institutions and the business model of the Group, it has tailor-made a standard to assess the debtors' repayment ability according to their asset classifications, cash flows and values of collaterals, which in turn assess the relevant risk level. With appropriate internal review and an accountability system, the Group is confident that it can discover problems at due time and ensure accountability. Also, third-party reviewing and auditing system strengthens the authenticity of the value of collaterals and financial data.

(3) Financial technology business

The Group primarily carries out its financial technology business through the Issuer's subsidiary Chengdu Hi-tech Investment Winpower Investment and Development Co., Ltd. (成都高投盈創動力投資發展有限公司) (“**Winpower**”), which was established in September 2011.

Winpower submits unified application for loans to the PRC policy banks such as China Development Bank and the Export-Import Bank of China. After receiving the loans, Winpower will distribute the loans to the applying enterprises. The loan amount to a single enterprise does not exceed RMB30 million and such loans are usually for a period of one year or two years. The Group has put in place compliance policy on different aspects of the Winpower business, including, but not limited to, client development, business review, project review, project guarantee, bank review, loan issuance and post-loan management.

Interested enterprises can submit applications with supporting materials normally required for such loan applications. If Winpower approves the application, Winpower will conduct an initial review according to the relevant requirements. Based on the advice of industry experts, financing experts, technology experts and investment experts of the project, Winpower will issue a report. Winpower will then ask a guarantor institution to conduct due diligence and issue evidence of consent to guarantee. With all the documents such as loan application details and the letter of guarantee, the Group will send all of them to a bank to perform their review or investigation. After the review, the Group will sign the relevant agreements, including loan agreement, entrustment agreement, and consultation agreement of the loans on the platform. The loan will then be transmitted to the enterprises through a third-party commercial bank. After the drawdown of the loan, the Group, the guarantor institution, and the third-party commercial bank will supervise the borrower enterprise together.

(4) Futures brokerage business

The Group primarily carries out its futures brokerage business through the Issuer's subsidiary Brilliant Futures Co., Ltd. (倍特期貨有限公司). Brilliant Futures offers financial futures brokerage and futures investment advisory services. The Group also provides services for the trading of futures products, for example, stock index futures, treasury bond futures, futures on non-ferrous metals, gold, silver, steel, crude oil, natural rubber, coal, soybeans, sugar and cotton.

Others

The Group's other business segments mainly include its cabinet manufacturing business, hospitality business and others. The Group primarily carries out its cabinet manufacturing business through the Issuer's subsidiary Chengdu Brilliant Cabinet Manufacturing Co., Ltd. (成都倍特櫥櫃製造有限公司). In October 2004, it was the first among the companies in the same national industry to obtain ISO 14001 and ISO 9001.

The Group primarily carries out its hospitality business through the Issuer's subsidiaries, Nanshuige Resort & spa Convention Center (楠水閣溫泉度假會議中心) and Sichuan Ya'an Brilliant Xinyue Hotel (四川雅安倍特星月賓館), both of which had been rated as four-star hotels by China Tourist Hotel Star Rating Committee (全國旅遊星級飯店評定委員會) in 2008 and 2006, respectively.

EMPLOYEES

As at 30 June 2018, the Group had a total of approximately 1,011 employees, of which approximately 734 employees hold an undergraduate degree or above. The Group maintains a good working relationship with its employees and as at 30 June 2018, the Group had not experienced any labour disputes that could cause material adverse effect to the operation and performance of the Group.

In accordance with the applicable regulations, the Group makes contributions to its employees' pension contribution plan, medical insurance and personal injury insurance. In addition to statutory contributions, the Group generally provides annual bonuses and supplemental commercial insurance policies to employees. The Group generally enters into employment contracts with employees in accordance with applicable PRC laws. Such contracts typically include provisions on wages, vacation, employee benefits, training programmes, health and safety, confidentiality obligations and grounds for termination.

LEGAL PROCEEDINGS

The Group is involved, from time to time, in legal proceedings arising in the ordinary course of its operations. See "*Risk Factors – Risks Relating to the Group's Businesses – The Group may be subject to legal, litigation and regulatory proceedings*"

Except as disclosed in this Offering Circular, there are currently no litigation or arbitration proceedings against the Group or any of its senior management team members as at the date of this Offering Circular that could have a material adverse effect on its business, financial condition and results of operations.

DIRECTORS AND SENIOR MANAGEMENT

The Board of Directors is responsible for the overall corporate governance of the Issuer including establishing the Issuer's strategic direction and management goals, as well as monitoring the achievement of these goals. The Board of Directors consists of four directors and one chairman. Four members of the board, including the chairman, are appointed by Chengdu Hi-tech Finance and Financial Services Bureau and the other member of the board is approved by the Group's employee representatives meeting. The following table sets forth information regarding the Issuer's directors (the "Directors") as at the date of this Offering Circular.

<u>Directors</u>	<u>Position</u>
Mr. Ran Guangjun (冉光俊)	Chairman
Ms. Xu Junru (許君如)	Director and General Manager
Mr. Zhu Hongzhai (朱宏寨)	Director
Mr. Li Xiaobo (李小波)	Employee Director, Deputy General Manager
Mr. Li Shiliang (李世亮)	Independent Director

The following contains certain biographical information of each of the Issuer's Directors as at the date of this Offering Circular.

Mr. Ran Guangjun (冉光俊) – Chairman of the Issuer. Previously, Mr. Ran served as the Deputy Chief of Business Department in Sinopec Sichuan Petroleum Company, the Senior Staff Member of the Chengdu Hi-tech Industrial Development Zone Procuratorate, the Principal Staff Member of the Organisation Department of Chengdu Hi-tech Industrial Development Zone Working Committee, the Deputy Director of Discipline Inspection and Supervision Office of Discipline Committee of Chengdu Hi-tech Industrial Development Zone, the Vice Secretary of the Xiaojiahe Subdistrict Working Committee, the Secretary of the Xiaojiahe Sub-district Discipline Supervision Working Committee, the Chairman of the Union of Xiaojiahe Sub-district.

Ms. Xu Junru (許君如) – Director and General Manager of the Issuer. Previously, Ms. Xu served as the Office Secretary of Chengdu Building Material Design Institute (成都建材設計院), the General Manager at Beijing Hairun Pictures and Advertisement Co., Ltd (Chengdu)(北京海潤國際影視廣告成都公司), the Business Manager of Sichuan TV Advertisement Centre (四川電視台廣告中心), the General Manger of Sichuan Jingrong Hotel (四川京蓉賓館), the Chief Officer of Time Warner China Entertainment TV Southwest Centre (時代華納華娛電視西南中心), the Deputy General Manager at Chengdu Hi-tech Investment Co., Ltd. (成都高新創新投資有限公司), the Deputy General Manager and General Manager at Chengdu Hi-Tech Development Co., Ltd. (成都高新發展股份有限公司) and the Deputy General Manager of the Issuer.

Mr. Zhu Hongzhai (朱宏寨) – Director of the Issuer. Previously, Mr. Zhu served as the Senior Staff Member and the Principal Staff Member at the Organisation Department of Working Committee and Personnel Labour and Social Security Bureau of the Chengdu Hi-tech Industrial Development Zone; the Deputy Head of Personnel Division at Chengdu Hi-tech Industrial Development Zone Labour and Social Security Bureau.

Mr. Li Xiaobo (李小波) – Employee Director, Deputy General Manager of the Issuer. Previously, Mr. Li served as the Chief Accountant of Hongguang Electronic Co., Ltd. (紅光電子股份有限公司), the Finance Manager for the Beijing Region at Zhongnan Commercial Group Co., Ltd. (中商股份有限公司), the Finance Controller for Southwest China Region and the Finance Manager for Chengdu branch at the Beijing Hualian Department Store Co., Ltd. (北京華聯商廈股份有限公司), and the Head of Finance Department of the Issuer.

Mr. Li Shiliang (李世亮) – Independent Director. Mr. Li serves as the President of Chengdu Lawyers Association.

Senior Management

The Issuer's senior management consists of eight members. All members of the Issuer's senior management team are appointed and dismissed by Chengdu Hi-tech Administration Committee, Party Working Committee of Chengdu Hi-tech Industrial Development Zone and Chengdu Hi-tech Finance Bureau.

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

<u>Senior Management</u>	<u>Position</u>
Mr. Ran Guangjun (冉光俊)	Chairman
Ms. Xu Junru (許君如)	Director and General Manager
Mr. Zhu Hongzhai (朱宏寨)	Director
Mr. Huang Guangyao (黃光耀)	Deputy General Manager
Mr. Ren Zheng (任正)	Deputy General Manager
Mr. Wu Zhong (吳忠)	Deputy General Manager
Mr. Yang Ling (楊凌)	Deputy General Manager and President of the Labour Union
Mr. Li Xiaobo (李小波)	Employee Director, Deputy General Manager

The following contains certain biographical information of each of the Issuer's senior management members as at the date of this Offering Circular.

Mr. Ran Guangjun (冉光俊) – See “Directors and Senior Management – Directors and Board of Directors”.

Ms. Xu Junru (許君如) – See “Directors and Senior Management – Directors and Board of Directors”.

Mr. Zhu Hongzhai (朱宏寨) – See “Directors and Senior Management – Directors and Board of Directors”.

Mr. Huang Guangyao (黃光耀) – Deputy General Manager of the Issuer. Previously, Mr. Huang served as the Principal Staff Member of Neijiang Team of Sichuan Commissioner Office for Ministry of Finance PRC, the Secretary of the Communist Youth League General Branch and the Deputy Head of Budget Division at Neijiang Municipal Finance Bureau, the Head of Finance and Price Division of the Economic and Trade Development Bureau of Chengdu Hi-tech Industrial Development Zone, the Chairman and General Manager of Chengdu Hi-tech Investment Financial Guarantee Co., Ltd. (成都高投融資擔保有限公司), the Chairman and General Manager of Chengdu Hi-tech Investment Winpower Investment and Development Co., Ltd. (成都高投盈創動力投資發展有限公司) and the Chairman and General Manager of Chengdu Hi-tech Investment Venture Capital Co., Ltd (成都高投創業投資有限公司).

Mr. Ren Zheng (任正) – Deputy General Manager of the Issuer. Previously, Mr. Ren served as the Technologist of Southwest Survey Foundation Engineering Corporation (西南勘察基礎工程總公司), the Chief Engineer and Principal Staff Member of the Planning and Land Resource Department of Chengdu Hi-tech Industrial Development Zone, the Deputy General Manager and General Manager of Chengdu Hi-tech Investment Real Estate Co., Ltd. (成都高投置業有限公司), the Principal of the Audit Department of the Issuer, and the Deputy General Manager and General Manager of Chengdu Hi-tech Investment Construction Development Co., Ltd. (成都高投建設開發有限公司).

Mr. Wu Zhong (吳忠) – Deputy General Manager of the Issuer. Previously, Mr. Wu served as a clerk of Chengdu Jianshe Road Office of Industrial and Commercial Bank of China, the Deputy Chief Business Counsellor of Bank of Communications Chengdu Branch, the Deputy General Manager at Chengdu International Lease Company (成都國際租賃公司), the Manager of Jincheng Central Branch and Hi-

tech Industrial Development Zone Bank of Communications Chengdu Branch, the Deputy Director of the Trust and Investment Office of Bank of Communications Chengdu Branch and the Director of the Corporate Business Office of Bank of Communications Chengdu Branch.

Mr. Yang Ling (楊凌) – Deputy General Manager and President of the Labour Union. Previously, Mr. Yang served as an athlete at the Sichuan Sport Technology Institute (四川省運動技術學院) a corporate clerk of Sichuan Huiyuan Group Housing Development Corporation (四川匯源集團房屋開發公司), an inspector at the Chengdu Hi-tech Industrial Development Zone Branch of Chengdu Public Security Bureau and the Senior Staff Member of the Social Undertaking Bureau of Chengdu Hi-tech Administrative Committee, during which time Mr. Yang also served as the Deputy General Manager of Modern Sports Park (現代體育公園).

Mr. Li Xiaobo (李小波) – See “*Directors and Senior Management – Directors and Board of Directors*”.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This summary 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. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or any person acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. Persons considering the purchase of the Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Notes.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of the PRC for PRC tax purposes. These beneficial owners are referred to as non-PRC Noteholders in this section. In considering whether to invest in the Notes, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

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

Such income tax shall be withheld by the Issuer that is acting as the obligatory withholder and such PRC enterprise shall withhold the tax amount from each payment or payment due. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified non-PRC resident enterprise Noteholders.

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

tax. The taxable income will be the balance of the total income obtained from the transfer of the Notes minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement, Noteholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Notes if such capital gains are not connected with an office or establishment that the Noteholders have in the PRC and all the other relevant conditions are satisfied.

Value-added Tax (“VAT”)

On 23 March 2016, the Ministry of Finance and the State Administration of Taxation (“SAT”) issued the Circular of Full Implementation of Business Tax to VAT Reform (Caishui [2016] No. 36) (《關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]36號) “Circular 36”) which confirms that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. Based on the definition of “loans” under Circular 36, the issuance of 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 VAT. Further, given that the Issuer is located in the PRC, the holders of the Notes would be regarded as providing the financial services within China and consequently, the holders of the Notes shall be subject to VAT 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 VAT payment and consequently, the combined rate of VAT and local levies would be around 6.72%. Given that the Issuer pays interest income to Noteholders who are located outside of the PRC, the Issuer, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Noteholders 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 VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Notes is located inside the PRC.

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

Pursuant to the EIT Law, the Business Tax Laws and the VAT reform detailed above, the Issuer shall withhold EIT, (should such tax apply) from the payments of interest in respect of the Notes for any non-PRC-resident Noteholder and the Issuer shall withhold VAT (should such tax apply) from the payments of interest in respect of the Notes for any Noteholders located outside of the PRC. However, in the event that the Issuer is required to make such a deduction or withholding (whether by way of EIT or VAT otherwise), the Issuer has agreed to pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. For more information, see “*Terms and Conditions of the Notes – Condition 7 (Taxation)*”.

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

HONG KONG

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal (including any premium payable on redemption of the Notes) or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits tax

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

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

- (a) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (b) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation (other than a financial institution) carrying on a trade, profession or business in Hong Kong; or
- (c) interest on the Notes is derived from Hong Kong and is received by or accrues to a person (other than a corporation) carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business.

Sums derived from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax where received by or accrued to a person who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source. Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of the Notes will be subject to profits tax.

Stamp duty

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

Estate duty

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

PRC REGULATIONS

This section summarises the principal PRC laws and regulations which are relevant to the Group's business and operations. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations which are relevant to the Group's business and operations.

NDRC REGISTRATION

On 14 September 2015, the NDRC issued the NDRC Notice (《國家發展改革委關於推進企業發行外債備案登記制管理改革的通知》發改外資[2015]2044號), which became effective on the same day. In order to encourage the use of low-cost capital in the international capital markets in promoting investment and steady growth and to facilitate cross-border financing, the NDRC Notice abolishes the case-by-case quota review and approval system for the issuance of foreign debts by PRC enterprises and sets forth the following measures to promote the administrative reform of the issuance of foreign debts by PRC enterprises or overseas enterprises and branches controlled by PRC enterprises:

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

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

Pursuant to the NDRC Notice, an enterprise must: (i) apply to the NDRC for the filing and registration procedures prior to the issuance of the bonds; and (ii) report the information on the issuance of the bonds to NDRC within ten working days after the completion of each issuance. The materials to be submitted by an enterprise must include an application report and an issuance plan, setting out details such as the currency, size, interest rate, term, use of proceeds and remittance details.

To issue foreign debts, an enterprise must meet these basic conditions:

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

Pursuant to the NDRC Notice, the NDRC must control the overall size of foreign debts that can be raised by PRC enterprises and their controlled overseas branches or enterprises. Based on trends in the international capital markets, the needs of the PRC economic and social development and the capacity to absorb foreign debts, the NDRC must reasonably determine the overall size of foreign debts and guide the funds towards key industries, key sectors, and key projects encouraged by the State, and effectively support the development of the real economy. According to the NDRC Notice, the proceeds raised may be used onshore or offshore according to the actual needs of the enterprises, but priority must be given

to supporting the investment in major construction projects and key sectors, such as “One Belt One Road (一帶一路)”, the Integration of Beijing-Tianjin-Hebei, the Yangtze River Economic Belt, international cooperation on production capacity, and the manufacturing of equipment. As the NDRC Notice is relatively newly published, certain detailed aspects of its interpretation and application remain subject to further clarification.

SAFE ADMINISTRATION

According to the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) and its operating guidelines, effective as at 13 May 2013 and amended on 4 May 2015, 26 April 2016 and 9 June 2016, respectively, issuers of foreign debts are required to register with the SAFE. Issuers other than banks and financial departments of the government shall go through registration or record-filing procedures with the local branch of the SAFE within 15 business days of entering into a foreign debt agreement. If the receipt and payment of funds related to the foreign debt of such issuer is not handled through a domestic bank, the issuer shall, in the event of any change in the amount of money withdrawn, principal and interest payable or outstanding debt, go through relevant record-filing procedures with the local branch of the SAFE.

According to the Notice of People’s Bank of China on Matters Concerning Macro-prudential Management on All-round Cross-border Financing (中國人民銀行關於全口經跨境融資宏現審慎管理有關事宜的通知)(Yin Fa No.9 [2017]), which is not applicable to government financing platforms or real estate enterprises, enterprises conducting cross-border financing shall complete the filing with the capital project information system of SAFE after the execution of cross-border financing contracts for SAFE’s records three PRC business days prior to drawing. Enterprises shall also promptly update information on cross-border financing and rights and interests each year (including overseas creditors, borrowing term, amount, interest rate and its net assets, etc.). In the case of any change in the audited net assets, overseas creditors, borrowing term, amount, or interest rate involved in the financing contracts, the enterprise shall promptly file the change for SAFE’s records.

In accordance with the Notice of the State Administration of Foreign Exchange on the Issuance of “Guidelines for Operation of Foreign Exchange Operations on Capital Projects (2017 Edition)” (國家外匯管理局綜合司關於印發《資本項目外匯業務操作指引(2017年版)》的通知)(Hui Zong Fa No.105 [2017]) issued by the SAFE in November 2017 which came into effect on the same date, issuers shall complete foreign debt registration with the local branches of SAFE within five PRC business days after the bonds have been issued.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, directives and local laws, laws of Special Administrative Regions and laws resulting from international treaties entered into by the PRC government. In general, PRC court judgments do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

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 governing State agencies and civil, criminal and other matters. 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 organ 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 jurisdiction 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 such 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 to their own administrative areas. These local rules 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 or in order to enforce the law. 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. The Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. 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 rules and regulations is vested in the regional legislative and administrative bodies which promulgated such laws.

THE PRC JUDICIAL SYSTEM

Under the PRC Constitution and the Law of Organisation 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 are comprised of the basic courts, the intermediate courts and the higher courts. The basic courts are organised into civil, criminal, economic, administrative and other divisions. The intermediate courts are organised into divisions similar to those of the basic courts, and are further organised into other special divisions, such as the intellectual property division. The higher level courts supervise the basic and intermediate courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC; it supervises the administration of justice by all other courts.

The courts employ a two-tier appellate system. A party may appeal against a judgment or order of a local court to the court at the next higher level. Second judgments or orders given at the next higher level and the first judgments or orders given by 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 by any court at a lower level, or the president 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 in accordance with the judicial supervision procedures.

The Civil Procedure Law of the PRC, which was adopted on 9 April 1991 and amended on 28 October 2007, 31 August 2012 and 27 June 2017, respectively, 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 place of the object of the contract. However, such contractual selection may not override the stipulations of the mandated jurisdiction of the different levels of court and the exclusive jurisdiction of a given court 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 enforcement of the judgment, order or award. The time limit imposed on the right to apply for such enforcement is two years. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by any party to the action, 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 recognised and enforced by a PRC court in accordance with 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 in accordance with the principle 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 of the PRC, its sovereignty or security, or for reasons of social and public interests.

PRC CURRENCY CONTROLS

Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to control imposed under PRC law.

Current Account Items

Under the PRC foreign exchange control regulations, current account item payments include payments for imports and exports of goods and services, payments of income and current transfers into and outside the PRC.

Prior to July 2009, all current account items were required to be settled in foreign currencies. Since July 2009, the PRC has commenced a pilot scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. In June 2010, July 2011 and February 2012 respectively, the PRC government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Program of Renminbi Settlement of Cross-Border Trades (關於擴大跨境貿易人民幣結算試點有關問題的通知), the Circular on Expanding the Regions of Cross-border Trade Renminbi Settlement (關於擴大跨境貿易人民幣結算地區的通知) and the Notice on Matters Relevant to the Administration of Enterprises Engaged in Renminbi Settlement of Export Trade in Goods (關於出口貨物貿易人民幣結算企業管理有關問題的通知)(together, the "**Circulars**") with regard to the expansion of designated cities and offshore jurisdictions implementing the pilot Renminbi settlement scheme for cross-border trades. Pursuant to these Circulars, (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts were expanded to cover all provinces and cities in the PRC, (iii) the restriction on designated offshore districts has been lifted and (iv) any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports of goods, **provided that** the relevant provincial government has submitted to PBOC and five other PRC authorities (the "**Six Authorities**") a list of key enterprises subject to supervision and the Six Authorities have verified and signed off such list (the "**Supervision List**").

On 5 July 2013, the PBOC promulgated the Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures (關於簡化跨境人民幣業務流程和完善有關政策的通知)(the “**2013 PBOC Circular**”), which, in particular, simplifies the procedures for cross-border Renminbi trade settlement under current account items. For example, PRC banks may conduct settlement for PRC enterprises (excluding those on the Supervision List) upon the PRC enterprises presenting the payment instruction. PRC banks may also allow PRC enterprises to make/receive payments under current account items prior to the relevant PRC bank’s verification of underlying transactions (noting that verification of underlying transactions is usually a precondition for cross-border remittance).

The Circulars and the 2013 PBOC Circular are subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying these circulars and impose conditions for settlement of current account items.

Capital Account Items

Under the applicable PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of and/or registration or filing with the relevant PRC authorities.

Until recently, settlement for capital account items were generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or relevant PRC parties were also generally required to make capital account payments including proceeds from liquidation, transfer of shares, reduction of capital, interest and principal repayment to foreign investors in a foreign currency.

On 10 May 2013, SAFE promulgated the Provisions on the Foreign Exchange Administration of Domestic Direct Investment by Foreign Investors (外國投資者境內直接投資外匯管理規定)(the “**SAFE Provisions**”), which became effective on 13 May 2013. According to the SAFE Provisions, foreign investors can use cross-border Renminbi (including Renminbi inside and outside the PRC held in the capital accounts of non-PRC residents) to make a contribution to an onshore enterprise or make a payment for the transfer of an equity interest of an onshore enterprise by a PRC resident within the total investment amount approved by the competent authorities (for example, MOFCOM and/or its local counterparts as well as financial regulators). Capital account transactions in Renminbi must generally follow the current foreign exchange control regime applicable to foreign currencies.

On 3 December 2013, MOFCOM promulgated the Announcement on Issues in relation to Cross-border Renminbi Foreign Direct Investment (商務部關於跨境人民幣直接投資有關問題的公告)(the “**MOFCOM Announcement**”), which became effective on 1 January 2014, to further facilitate foreign direct investment by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Announcement, the appropriate office of MOFCOM and/or its local counterparts will grant written approval for each foreign direct investment and specify “Renminbi Foreign Direct Investment” and the amount of capital contribution in the approval. The MOFCOM Announcement also removes the approval requirement for foreign investors who intend to change the currency of its existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Announcement specifically prohibits the use of funds used for foreign direct investment for any investment in securities and financial derivatives (except for investment in the PRC listed companies as strategic investors) or for entrustment loans in the PRC.

Under current rules promulgated by SAFE, foreign debts borrowed and the foreign security provided by an onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt and foreign security regime.

The SAFE Provisions, the MOFCOM Circular and the Administrative Measures on Renminbi Settlement of Foreign Direct Investment (外商直接投資人民幣結算業務管理辦法)(the “**PBOC FDI Measures**”), which are regulations revised on 5 June 2015, have been promulgated to control the remittance of Renminbi for payment of transactions categorised as capital account items and such new are subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

REGULATION ON FISCAL DEBTS OF LOCAL GOVERNMENTS

In accordance with Guidance on Further Strengthening Adjustment of Credit Structure to Promote Fast and Smooth Development of National Economy (中國人民銀行、中國銀行業監督管理委員會關於進一步加強信貸結構調整促進國民經濟平穩較快發展的指導意見) issued jointly by PBOC and CBRC in March 2009, local governments are encouraged to establish financing platforms to issue financing instruments such as enterprise bonds and medium term notes. In order to strengthen the management of financing platforms and effectively prevent fiscal financial risks, the Notice on Strengthening Management of Financing Platform of Local Government (國務院關於加強地方政府融資平台公司管理有關問題的通知)(“**Circular 19**”) and the Notice on Further Regulating Issuance of Bonds by Financing Platform of Local Government (國家發展改革委辦公廳關於進一步規範地方政府投融資平台公司發行債券行為有關問題的通知)(“**Circular 2881**”) were separately promulgated in June 2010 and November 2010. In accordance with Circular 19, all levels of local governments shall be responsible to discharge or manage the debts of their respective financing platforms. In accordance with Circular 2881, the level of indebtedness of local governments will have an impact on the ability of the financing platform to issue enterprise bonds. On 21 September 2014, the Opinion on Enhancing the Administration of Fiscal Debts of Local Governments (國務院關於加強地方政府性債務管理的意見)(“**Circular 43**”) was promulgated by the State Council. Circular 43 aims at regulating the financing system of local government. In accordance with Circular 43, financing platforms shall no longer serve the fiscal financing functions nor incur new government debts. Public interest projects may be funded by the government through issuing government bonds, since the new Budget Law of the PRC, which took effect on 1 January 2015, empowers local governments to issue government bonds, and public interest projects with income generated, such as city infrastructure construction, may be operated independently by social investors or jointly by the government and social investors through the establishment of special purpose companies. Social investors or such special purpose companies shall invest in accordance with market-oriented principles and may be funded by, among other market-oriented approaches, bank loans, enterprise bonds, project revenue bonds and asset-backed securitisation. Social investors or the special purpose companies shall bear the obligation to pay off such debts and the government shall not be liable for any of the social investors’ or special purpose companies’ debts. Circular 43 also sets forth the general principles of dealing with existing debts of financing platforms. Based on the auditing results of such debts run by the local governments, the existing debts that should be repaid by the local governments shall be identified, reported to State Council for approval, and then included in the budget plan of local governments.

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

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

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

Neither Circular 43 nor Circular 40 is applicable to the Notes and neither the Chengdu Municipal Government nor any other government authority has any obligation to repay any amount under the Notes. In the event the Issuer does not fulfil their respective payment obligations under the Notes, investors will only be able to claim against the Issuer, and not the Chengdu Municipal Government or any other government authority.

REGULATIONS ON THE ESTABLISHMENT OF REAL ESTATE ENTERPRISES

Establishment of a Real Estate Development Enterprise

According to the Law of the People's Republic of China on Administration of Urban Real Estate (中華人民共和國城市房地產管理法) (“**Urban Real Estate Law**”) implemented by the Standing Committee of the National People's Congress of the PRC (中華人民共和國全國人民代表大會常務委員會) (“**SCNPC**”), effective on 1 January 1995, amended on 30 August 2007 and 27 August 2009, a real estate developer is defined as an enterprise which engages in the development and sale of real estate for the purpose of making profit. Under the Regulations on Administration of Development of Urban Real Estate (城市房地產開發經營管理條例) (the “**Development Regulations**”) implemented by the State

Council on 20 July 1998 and amended on 8 January 2011 and revised on 19 March 2018, an enterprise which is to engage in the development of real estate shall satisfy the following requirements: 1) its registered capital shall be RMB1.0 million or more; and 2) it shall have four or more full-time professional real estate/construction technicians and two or more full-time accounting officers, each of whom shall hold the relevant qualification certificate. The Development Regulations also stipulate that the local government of a province, autonomous region or city directly under the central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a real estate developer.

Pursuant to the Development Regulations, a developer who aims to establish a real estate development enterprise shall apply for registration with the relevant administrative body for industry and commerce. The real estate developer must also report its establishment to the real estate development authority in the location of the registration authority within 30 days of the receipt of its business license.

The Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment (關於調整固定資產投資項目資本金比例的通知) issued by the State Council on 25 May 2009 provides that the requirement for the minimum capital for social welfare housing and general commercial residence is 20 per cent., while the requirement on the minimum capital for other real estate projects is 30.0 per cent. In addition, under the Notice on Adjusting and Perfecting the System of Capital Fund for Fixed Assets Investment (國務院關於調整和完善固定資產投資項目資本金制度的通知) by the State Council on 9 September 2015, the minimum portion of capital funding for social welfare housing and general commercial residence remains at 20 per cent., while the minimum portion of capital funding for other real estate projects has been reduced from 30 per cent. to 25 per cent.

Qualification of a Real Estate Developer

Classification of a real estate enterprise's qualification

Under the Development Regulations, a real estate developer must record its establishment to the governing real estate development authorities in the location of its registration authority within 30 days after receiving its business license. The real estate development authorities shall examine applications for the classification of a real estate developer's qualification by considering its assets, professional personnel and industrial achievements. A real estate enterprise shall only engage in real estate development projects which are in compliance with its approved qualification.

Under the Provisions on Administration of Qualifications of Real Estate Developers (房地產開發企業資質管理規定) (the “**Provisions on Administration of Qualifications**”) implemented by the Ministry of Construction of PRC on 29 March 2000 and amended on 4 May 2015, a real estate developer shall apply for the registration of its qualifications. An enterprise may not engage in the development and sale of real estate without obtaining a qualification classification certificate for real estate development.

In accordance with the Provisions on Administration of Qualifications, qualifications of an enterprise are classified into four classes: class 1, class 2, class 3 and class 4. Different classes of qualification have to be examined and approved by the relevant corresponding authorities. The class 1 qualification shall be subject to preliminary examination by the construction authority under the PRC government of the relevant province, autonomous region or city directly under the central government and then final approval of the construction authority under the State Council. There is no limitation on the construction scale for an enterprise who holds a class 1 qualification. Procedures for approval of developers of class 2 or lower shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or city directly under the central government. The GFA of each project developed by an enterprise which holds a class 2 or lower qualification shall not exceed 250,000.0 sq.m. A developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. For a newly established real estate developer, after it reports its establishment to the real estate development authority, the latter shall issue the Provisional Qualification Certificate (《暫定資質證書》) to the eligible developer within 30 days. The Provisional Qualification Certificate is effective for one year from its issuance while the real

estate development authority may extend the validity to a period of no longer than two years considering the actual business situation of the enterprise. The real estate developer shall apply for qualification classification by the real estate development authority within one month before the expiry of the Provisional Qualification Certificate.

Annual inspection of a real estate developer

Pursuant to the Provisions on Administration of Qualifications, the qualification of a real estate developer shall be subject to annual inspection. The construction authority under the State Council or its authorised institution is responsible for conducting the annual inspection of the qualification of class 1 real estate developers. Measures for annual inspection of developers of class 2 or lower qualification shall be formulated by the construction authorities under the people's government of the relevant province, autonomous region or provincial-level city.

REGULATIONS ON THE LAND AND THE DEVELOPMENT OF REAL ESTATE PROJECTS

Land Grants

In April 1988, the National People's Congress of the PRC (the "NPC") passed an amendment to the Constitution of the PRC. The amendment allowed the transfer of land use rights for value to prepare for reforms of the legal regime governing the use of land and transfer of land use rights. In December 1988, the SCNPC amended the Land Administration Law of the PRC (《中華人民共和國土地管理法》) to permit the transfer of land use rights for value.

Under the Provisional Regulations of the People's Republic of China on Grant and Transfer of the Land Use Rights of State-owned Urban Land (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例)(the "**Provisional Regulations on Grant and Transfer**") implemented by the State Council on 19 May 1990, a system of assignment and transfer of the right to use state-owned land was adopted. A land user shall pay land premium to the government as consideration for the grant of the right to use a land site within a certain term, and the land user may transfer, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the Provisional Regulations on Grant and Transfer and the Urban Real Estate Law, the land administration authority under the local government of the relevant city or county shall enter into an assignment contract with the land user to provide for the grant of land use rights. The land user shall pay the land premium as provided by the assignment contract. After full payment of the land premium, the land user shall register with the land administration authority and obtain a land use rights certificate which evidences the acquisition of land use rights. The Development Regulations provide that the land use rights for a land parcel intended for real estate development shall be obtained through grant except for land use rights which may be obtained through appropriation pursuant to PRC laws or the stipulations of the State Council.

Under the Regulations regarding the Grant of State-Owned Land Use Rights by Way of Public Bidding, Auction and Listing Procedure (招標拍賣掛牌出讓國有土地使用權規定) issued by the Ministry of Land and Resources (the "**MLR**") on 9 May 2002 and implemented on 1 July 2002 (the "**2002 Regulations**") and revised on 28 September 2007 with the name Regulations regarding the Grant of State-Owned Construction Land Use Rights by Way of Public Bidding, Auction and Listing Procedure (招標拍賣掛牌出讓國有建設用地使用權規定)(the "**2007 Regulations**") effective on 1 November 2007, land for industry (except land for mining), commercial use, tourism, entertainment and residential commodity properties, or where there are two or more intended users for a certain piece of land must be granted by way of public bidding, auction and listing procedure. A number of measures in the 2007 Regulations ensure such grants of land use rights for commercial purposes are conducted openly and fairly. For instance, the local land bureau must take into account various social, economic and planning considerations when deciding on the use of a certain piece of land, and its decision regarding land use designation is subject to the approval of the city or county government. The grantee shall apply for land registration and obtain the land use rights certificate upon full payment of the land premium for the land according to the land grant contract. In the event that the land premium for the land is not paid in full, the grantee will not receive the land use rights certificate. In addition, the announcement of public

bidding, auction and listing procedure must be made 20 days prior to the date on which such competitive process begins. Further, the 2007 Regulations stipulates that for listings on a land exchange, the time period for accepting bids must be no less than ten days. Following the 2002 Regulations, the MLR and the Ministry of Supervision issued the Notice on Continuing the Review of the Implementation of the Grant of Land Use Rights for Commercial Uses By Soliciting Public Bidding, Auction and Listing Procedure on a Land Exchange (關於繼續開展經營性土地使用權招標拍賣掛牌出讓情況執法監察工作的通知) on 31 March 2004, which requires all local land administration authorities to strictly enforce the 2002 Regulations. In addition, the MLR and the Ministry of Supervision required that beginning from 31 August 2004, no land use rights for commercial uses granted by way of agreement shall be dealt with due to reasons stemming from historical legal legacy issues. In the Urgent Notice of the General Office of the State Council on Intense Regulation and Rectification of the Land Market and Strict Administration of Land (國務院辦公廳關於深入開展土地市場治理整頓嚴格土地管理的緊急通知), issued by the General Office of the State Council on 29 April 2004, the approval process for the change of use from agricultural land to non-agricultural land for development was suspended for a period of approximately six months so that the PRC government could rectify irregularities in land development in China. On 13 May 2011, the MLR implemented the Opinions on Upholding and Improving the System for the Transfer of Land by Public Bidding, Auction and Listing Procedure (國土資源部關於堅持和完善土地招標拍賣掛牌出讓制度的意見), which provides, among other things (i) how to correctly implement the land transfer policy through public bidding, auction and listing procedure; (ii) an explanation of improvements in the transparency of the system of public biddings, auctions and listing procedures for housing land; (iii) an explanation of adjustments and improvements to the land transfer policy through public biddings, auctions and listing procedures; (iv) promotion of online operation of the transfer of land use rights; and (v) improvement in contracts for land transfers through public biddings, auctions and listing procedures.

In the case of tenders, the local land bureau granting the land use rights should examine the qualifications of the intended bidders and encourage those who are qualified to participate in the bidding processes by sending out invitations to tender. Bidders are asked to submit sealed bids together with the payment of a security deposit. When land use rights are granted through tenders, a tender evaluation committee consisting of an odd number of members of at least five people (including a representative of the grantor and relevant expert) shall be formed by the land bureau which is responsible for initiating the tenders and deciding on the successful bidder. The successful bidder will then sign the land grant contract with the land bureau and pay the balance of the land premium before obtaining a land use rights certificate.

Where land use rights are granted by way of public bidding, auction and listing procedure, a public bidding, auction and listing procedure will be held by the relevant local land bureau. The land use rights are granted to the highest bidder. The successful bidder will then be asked to sign the land grant contract with the local land bureau and pay the relevant land premium within a prescribed period.

Where land use rights are granted through a listing administered by the local government, a public notice will be issued by the local land bureau to specify, among other things, the location, area, purpose of use of the land and the period for receiving bids. The land use rights are granted to the bidder with the highest bid who satisfies the terms and conditions. The successful bidder will enter into a land grant contract with the local land bureau and pay the relevant land premium within a prescribed period.

On 1 August 2003, the MLR implemented the Regulations on the Grant of State-owned Land Use Rights by Agreement (協議出讓國有土地使用權規定). According to this regulation, if there is only one entity interested in using the land, the land use rights (excluding profit-oriented land for commercial use, tourism, entertainment and commodity residential properties) may be assigned by way of agreement. If two or more entities are interested in the land use rights to be assigned, such land use rights shall be granted by means of public bidding auction and listing.

The Circular on Facilitating the Continuously Healthy Development of Property Market (關於促進房地產市場持續健康發展的通知) implemented by the State Council on 12 August 2003 requires control of land supply for or the suspension of the approval for high end commodity properties in areas with an over population of high end and large-size properties, high end office buildings and commercial properties. According to the Notice of the Ministry of Land and Resources on Relevant Issues Concerning the Strengthening of Examination and Approval of Land Use in Urban Construction (關於加強城市建設用地審查報批工作有關問題的通知) implemented by the MLR on 4 September 2003, from the day of issuance of the notice, the grant of land use rights for high end commodity properties shall be stringently controlled. On 30 September 2007, the MLR issued the Notice on Implementation of the State Council's Certain Opinions on Resolving Difficulties in Housing of Urban Low-Income Family and Further Strengthening the Macro-control of Land Supply (關於認真貫徹〈國務院關於解決城市低收入家庭住房困難的若干意見〉進一步加強土地供應調控的通知) as amended on 3 December 2010, to further enhance the control of land supply. This notice stipulates that the supply of the land to be developed for low-rent housing, economically affordable housing and low or medium priced and small or medium sized housing must be no less than 70.0 per cent. of the total land supply of that year.

On 21 September 2010, MLR and MOHURD jointly implemented the Notice of Further Strengthening Control and Regulation of Land and Construction of Property Development (關於進一步加強房地產用地和建設管理調控的通知), which stipulated, among other things, that: (i) at least 70 per cent. of land designated for construction of urban housing must be used for economically affordable housing, housing for redevelopment of shanty towns and small to medium-sized ordinary commercial housing; in areas with high housing prices, the supply of land designated for small or medium sized, price-capped housing must be increased; (ii) developers and their controlling shareholders (as defined under PRC laws) are prohibited from participating in land biddings before the rectification of certain misconduct, including (1) illegal transfer of land use rights; (2) failure to commence required construction within one year from the delivery of land under land grant contracts due to reasons from such developers; (3) noncompliance with the land development requirements specified in land grant contracts; and (4) crimes such as swindling land by forging official documents and illegal land speculation; (iii) developers are required to commence construction within one year from the date of delivery of land under the relevant land grant contract and complete construction within three years from the commencement of the construction; (iv) development and construction of projects of low-density and large-sized housing must be strictly limited and the plot ratio of the planned GFA to the total site area of residential projects must be more than 1:1; and (v) the grant of two or more bundled parcels of lands and undeveloped land is prohibited.

The Measures on the Administration of Reserved Land (土地儲備管理辦法), implemented by MOF, PBOC, MLR and the China Banking Regulatory Commission on 3 January 2018, define “reserved land” and stipulate the administrative, regulatory and implementing procedures involved with the management, planning, allocation, use, development, capital expenditure and supply of reserved land. The measures clarify that land must be reserved in accordance with the relevant land programs or plans, and that in determining land reserves priority must be given to land included in state inventories which is unused, unoccupied or under-utilised.

On 18 November 2009, the MOF, the MLR, PBOC, the National Audit Office and Ministry of Supervision issued the Notice on Further Strengthening the Land Transfer Revenue and Expenditure Management (關於進一步加強土地出讓收支管理的通知) jointly, which stipulates:

- (a) The city or county land resource department must specify the land transfer price, rent and the total sum of the allocated land price, payment time and payment mode in the state-owned land transfer contract, lease contract and letter of decision on appropriation. If the land use conditions have been changed upon approval in accordance with the relevant law, the city or county land resource management department must specify the additional price of the land that shall be paid in the land transfer and lease contracts and the payer shall pay the sum of money as stipulated by the contract.

If a unit or individual fails to pay up the land price as required, the city or county land resource management department must neither approve, issue the state-owned land use certificate nor issue a partial certificate according to the proportion of the land price paid.

- (b) The term for paying the full land transfer price by instalments agreed between the city or county land resource management department and land transferee pursuant to law shall not exceed one year. The proportion of first payment shall not be less than 50 per cent. of the total land transfer price.

On 8 March 2010, the MLR issued the Notice of the Problems on Strengthening the Supply and Supervision of the Land used for Real Estate Development which highlighted (關於加強房地產用地供應和監管有關問題的通知), among others, strictly regulating commercial land transfer and the lowest price of land transfer, strictly implementing the verification process of land bidder qualification, strictly managing land transfer contracts, and insisting on and improving the land public bidding, auction and listing procedure system.

On 1 May 2012, the MLR implemented the Notice on Further Strengthening and Improving the Pre-examination of Land for Construction Projects which reinforces the importance of pre-examination administration of land for commercial and industrial purposes. Taking advantage of the public bidding, auction and listing procedure to avoid the pre-examination of the utility of land or entering into a land use right grant contract in advance or issuing a land use right certificate in substitute for a pre-examination opinion is strictly prohibited. Without passing a pre-examination, no application may be made for a project permit or construction land permit. On-line filing for records and tracking supervision has also been improved.

Development of a real estate project

Commencement of real estate project and regulations with respect to idle land

Under the Urban Real Estate Law, those who have been granted the land use rights must develop the land in accordance with the use and construction period as prescribed by the land use right grant contract. Pursuant to the Measures on Disposal of Idle Land implemented by the MLR on 28 April 1999 and amended on 22 May 2012, the land can be defined as idle land under any of the following circumstances:

- (i) the development and construction of the state-owned idle land have not commenced after one year of the prescribed time limit in the land use right grant contract or allocation decision; or
- (ii) the development and construction of the state-owned idle land have commenced but the area under such development and construction is less than one-third of the total area to be developed and constructed or the invested amount is less than 25 per cent. of the total amount of investment and the development and construction have been continuously suspended for one year or more.

Where the delay in the commencement of development is caused by the PRC government or due to the force majeure of natural disasters, the land administrative authorities shall hold discussions with the holder of state-owned construction land use rights and choose one of the following methods for disposal:

- (i) extending the time limit for the start of development. The PRC government and the holder of state-owned construction land use rights shall enter into a supplemental agreement and re-specify the time limit for the start of development and construction completion and the liability for breach of contract. The time limit for the start of development shall not be extended to over one year from the date of the start of development specified in the supplemental agreement;

- (iii) adjusting the land use and planning conditions. The relevant land use procedure shall be reviewed and the land grant premium shall be checked, collected or returned according to the new land use or planning conditions. The adjusted land use must satisfy the requirements under the overall land use planning and urban and rural planning conditions;
- (iv) the PRC government arranges temporary use for the idle land. The holder of state-owned construction land use rights shall redevelop and construct the idle land until the former project satisfies the requirements of development and construction. The time limit of temporary use shall not exceed two years from the date of the temporary use arranged;
- (v) getting back the rights to use the state-owned construction land with compensation;
- (vi) exchanging the idle land. When the land grant premium of the idle land has been paid up, the project funding has been completed and the idle land is caused by amendments to plans according to the law, the PRC government can exchange the idle land for other state-owned construction land of the same value and use for the holder of state-owned construction land use rights to develop and construct. As for the land grant, the holder of state-owned construction land use rights and the PRC government shall re-enter into a land grant contract which shall specify the land as the land to be exchanged; and
- (vii) the city-level and county-level land administrative authorities can stipulate other ways of disposal according to the actual situation.

Save for the above item (iv), the time of the commencement of development shall be re-dated according to the newly agreed or stipulated time.

The Notice on Strengthening the Disposing of Idle Land issued (關於加大閑置土地處置力度的通知) by the MLR on 8 September 2007 emphasises that the disposal of idle land shall be sped up. The land regulatory authority may impose an idle land penalty of up to 20 per cent. of the land premium and the land regulatory authority may reclaim the idle land without compensation as required by the relevant regulations. For land that becomes idle as a result of illegal approval, such land should be reclaimed before the end of 2007. Where the land premium is not paid in full according to contractual agreement, the land use certificate shall not be issued, nor shall a land use certificate be issued on parts of the land in proportion to the paid-up land premium.

On 3 January 2008, the State Council implemented the Circular on Conservation of Intensive Land Use (關於促進節約集約用地的通知), as summarised below:

- (a) Strictly implement the public bidding, auction and listing procedure regime for land intended for industrial and business purposes.
- (b) Strictly prohibit unauthorised conversion of agricultural land to land for construction.
- (c) With respect to real estate projects (i) commenced one year after the commencement date as stipulated under the land grant contract, (ii) where the area of land developed is less than 1/3 of the entire area, and (iii) the investment is less than 1/4 of the total investment amount, financial institutions shall be cautious in granting loans and approving financing, and shall not grant loans or offer financing for listing to projects engaging in illegal land use.

Planning of a real estate project

On 1 January 2008, the SCNPC implemented the PRC City and Countryside Planning Law (中華人民共和國城鄉規劃法) which was amended on 24 April 2015, pursuant to which a construction planning permit must be obtained from the relevant urban and rural planning government authorities for building any structure, fixture, road, pipeline or other engineering project within an urban or rural planning area.

After obtaining the construction works planning permit, a real estate developer shall apply for a construction work commencement permit from the construction authority under the local people's government at the county level or a higher construction authority in accordance with the Measures for the Administration of Construction Permit for Construction Projects (建築工程施工許可管理辦法) issued by MOHURD on 25 June 2014 and implemented on 25 October 2014. According to the Notice Regarding Strengthening and Regulating the Administration of Newly-commenced Projects (國務院辦公廳關於加強和規範新開工項目管理的通知) issued by the General Office of the State Council on 17 November 2007, before commencement of construction, all projects shall fulfil certain conditions, including, among others, compliance with national industrial policies, development plans, land supply policy and market access standard, completion of all approval and filing procedures, compliance with zoning plans in terms of site and planning, completion of proper land use procedures and obtaining proper environmental valuation approvals and construction work commencement permits or construction start-up reports.

In accordance with the Development Regulations and the Regulation on the Quality Management of Construction Projects implemented by the State Council on 30 January 2000, the Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and City Infrastructure implemented by MOHURD on 7 April 2000 and amended on 19 October 2009 and the Rules for the Confirmation of the Completion of Housing Construction and City Infrastructure Projects implemented by MOHURD and implemented on 2 December 2013, after the completion of construction of a project, the real estate must undergo inspection and receive the relevant approvals from local authorities which include approvals from planning bureau, fire safety authorities and environmental protection authorities.

REGULATIONS ON REAL ESTATE TRANSFER AND SALE

Real Estate Transfer

According to the Urban Real Estate Law and the Provisions on Administration of Transfer of Urban Real Estate (城市房地產轉讓管理規定) implemented by the Ministry of Construction on 7 August 1995 and as amended on 15 August 2001, a real estate owner may sell, bequeath or otherwise legally transfer property to another person or legal entity. When transferring a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred simultaneously. The parties to a transfer shall enter into a property transfer contract in writing and register the transfer with the real estate administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by grant, the real property may only be transferred on the condition that: a) the assignment price has been paid in full for the grant of the land use rights as provided by the grant contract and a land use rights certificate has been obtained; b) development has been carried out according to the land use rights grant contract and, in the case of a project in which buildings are being developed, development representing more than 25 per cent. of the total investment has been completed.

According to the Urban Real Estate Law (城市房地產管理法) implemented by SCNPC on 1 January 1995 and as amended on 30 August 2007 and 27 August 2009, if the land use rights were originally obtained by grant, the term of the land use rights after transfer of the real property shall be the remaining portion of the original term provided by the land use rights grant contract after deducting the time that the land use rights had been held by the former land users. In the event that the transferee intends to change the use of the land provided in the original grant contract, consent shall first be obtained from the original grantor and the planning administration authority under the local government of the relevant city or county and an agreement to amend the land use rights grant contract or a new land use rights grant contract shall be signed in order to, *inter alia*, adjust the land use rights assignment price accordingly.

According to the Urban Real Estate Law (城市房地產管理法) and the Provisions on Administration of Transfer of Urban Real Estate (城市房地產轉讓管理規定), if the land use rights were originally obtained by allocation, transfer of the real property shall be subject to the approval of the PRC government vested with the necessary approval power as required by the State Council. Upon such approval, the transferee shall complete the formalities for transfer of the land use rights, unless the relevant statutes require no transfer formalities, and shall pay the transfer price according to the relevant statutes.

Sale of Commodity Buildings

Under the Regulatory Measures on the Sale of Commodity Buildings (商品房銷售管理辦法)(the “**Regulatory Measures**”) issued by the Ministry of Construction on 4 April 2001 and implemented on 1 June 2001, the sale of commodity buildings can include both pre-completion sales (pre-sale) and post-completion sales.

Permit of Pre-sale of Commodity Buildings

According to the Development Regulations and the Measures for Administration of Pre-sale of Commodity Buildings (城市商品房預售管理辦法)(the “**Pre-sale Measures**”) implemented by the Ministry of Construction on 1 January 1995 and as amended on 15 August 2001 and 20 July 2004 respectively, the pre-sale of commodity buildings shall be subject to a licensing system, and a real estate developer intending to sell a commodity building before its completion shall make the necessary pre-sale registration with the real estate development authority of the relevant city or county to obtain a pre-sales permit. A commodity building may be sold before completion only if: a) the land premium has been paid in full for the grant of the land use rights involved and a land use rights certificate has been obtained; b) a construction works planning permit and construction works commencement permit have been obtained; c) the funds invested in development construction represent 25 per cent. or more of the total investment in the project and the progress of construction works and the completion and delivery dates have been ascertained; and d) the pre-sale has been registered and a pre-sales permit has been obtained.

On 13 April 2010, MOHORD issued the Notice on Further Enhancing the Supervision of the Real Estate Market and Perfecting the Pre-sale System of Commodity Houses (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知). Pursuant to the notice, without the pre-sale approval, the commodity properties are not permitted to be pre-sold and the real estate developer is not allowed to charge the buyer any deposit or pre-payment or payment of the similar nature. In addition, the notice urges local governments to enact regulations on the sale of completed commodity properties in light of the local conditions, and encourages property developers to sell completed commodity properties.

Supervision of pre-sale income of commodity buildings

According to the Pre-sale Measures, the income of a real estate developer from the pre-sale of commodity buildings must be used for the construction of the relevant projects. The specific measures in connection with the income from the pre-sale of commodity buildings shall be formulated by the real estate administrative authorities.

Conditions of the sale of post-completion commodity buildings

Under the Regulatory Measures, commodity buildings may be put to post-completion sale only when the following preconditions have been satisfied: (i) the real estate development enterprise shall have a business license and a qualification certificate of a real estate developer; (ii) the enterprise shall obtain a land use rights certificate or other approval documents for land use; (iii) the enterprise shall have the construction works planning permit and construction works commencement permit; (iv) the building shall have been completed, inspected and accepted as qualified; (v) the relocation of the original residents shall have been completed; (vi) the supplementary essential facilities such as for supplying water, electricity, heating, gas and communication shall have been made ready for use, and other supplementary essential facilities and public facilities shall have been made ready for use, or the

schedule of construction and delivery date shall have been specified; and (vii) the real property management plan shall have been completed. Before the post-completion sale of a commodity building, a real estate developer shall submit a real estate development project manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the real estate development authority for their records.

Transaction of commodity buildings

According to the Development Regulations and the Pre-sale Measures, for the pre-sale of commodity buildings, the developer shall sign a contract on the pre-sale of a commodity building with the purchaser. The developer shall, within 30 days after signing the contract, apply for the registration and filing of the pre-sale commodity building to the relevant real estate administration and city and county people's government land management authorities.

Pursuant to the Circular of the General Office of the State Council on Forwarding the Opinions of the Ministry of Construction and other Departments on Stabilising House Prices (國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知) issued on 9 May 2005:

- (a) A buyer of a commodity building is prohibited from conducting any further transfer of a pre-sold commodity before completion of construction and obtaining the property ownership certificate. If there is discrepancy in the name of the applicant for property ownership and the name of the buyer in the pre-sale contract, the registration division of the real estate administration authorities shall not register the application of property ownership.
- (b) A real name system is applied for each real estate transaction and an immediate archival filing network system is in place for presale contracts of commodity buildings.

The State Administration for Industry and Commerce of the PRC (the "SAIC") has implemented the Provisions on Releasing Real Estate Advertisements (房地產廣告發布規定) which took effect on 1 February 2016. Pursuant to the provisions, a real estate advertisement shall not contain any information relating to geomancy, divination or other superstitious information. The introduction and description of a project shall not violate the prevailing custom. A real estate advertisement shall be true, legal, scientific, accurate, and shall not defraud or mislead the public. A real estate advertisement shall not contain any promise by the publisher to prospective purchasers with respect to providing assistance in applying for, among others, residential pass, securing a job or school admission.

Adjusting the Structure of Housing Supply and Stabilising Housing Price

The General Office of the State Council implemented the Circular on Duly Stabilising the Prices of Residential Properties (關於切實穩定住房價格的通知) on 26 March 2005, requiring measures to be taken to restrain housing prices from increasing too fast and to promote the healthy development of the property market. On 9 May 2005, the General Office of the State Council issued the Opinion of the Ministry of Construction and other Departments on Improving the Works on Stabilising the Prices of Residential Properties (關於做好穩定住房價格工作的意見) which requires the rectification of and regulation of market order and serious investigation into and punishment for any irregular and rule-breaking sales.

On 24 May 2006, the General Office of the State Council issued the Opinion of the Ministry of Construction and other Departments on Adjusting Housing Supply Structure and Stabilisation of Housing Prices (關於調整住房供應結構穩定住房價格的意見). With respect to the adjustment of housing supply and stabilisation of housing prices, the opinion provides that:

- (a) Adjustment to the housing supply structure: construction of medium and small-sized commodity houses at medium or low prices should be especially developed to satisfy the demands of local residents.

- (b) Adjustment to tax, credit and land policies: from 1 June 2006, the first instalment of individual house loans should be no less than 30 per cent. When a borrower applies for individual house loans for his own use and the floor area of the unit is less than 90 sq.m., the first instalment remains at 20 per cent.

To implement the Opinions on Adjusting the Housing Supply Structure and Stabilising Housing Prices, the Ministry of Construction implemented Certain Opinions Regarding the Implementation of the Ratio Requirement for the Structure of Newly Constructed Residential Units (關於落實新建住房結構比例要求的若干意見) on 6 July 2006 and made supplemental requirements on the proportion of newly built housing structure as follows:

From 1 June 2006, in any city (including counties), the floor area of housing which is less than 90 sq.m. should reach 70 per cent. of the total floor area of commercial commodity buildings which have been newly approved or constructed.

On 20 December 2008, the General Office of the State Council issued Several Opinions on Promoting the Sound Development of the Real Estate Market (關於促進房地產市場健康發展的若干意見) in order to speed up the development of social security housing, encourage purchases of properties for self-use and upgrade purposes and direct real estate developers to cope with the changing market, as well as to:

- (a) promote the construction of affordable residential housing;
- (b) encourage the purchase of regular commodity houses for residential purposes; and
- (c) support real estate developers in dealing with the changing market.

According to Several Opinions of the General Office of the State Council on Providing Financial Support for Economic Development (國務院辦公廳關於當前金融促進經濟發展的若干意見), issued by the General Office of the State Council on 8 December 2008, the State Council (1) implemented relevant credit policies and measures to support a person's purchase of his first ordinary home or improve his ordinary home; (2) provided more credit support for the construction of low rent houses and economically affordable houses and the reconstruction of shed areas for low-income urban residents; and (3) initiated the pilot operation of real estate trust investment funds and diversified the financing channels of real estate enterprises.

Notices on Accelerating a Stable and Healthy Development in the Real Estate Market

On 7 January 2010, the General Office of the State Council issued the Notice on Accelerating a Stable and Healthy Development in the Real Estate Market (關於促進房地產市場平穩健康發展的通知), which stipulates:

- (a) increasing the effective supply of security housing and common commercial housing;
- (b) reasonably steering housing consumption and suppress speculative house purchasing demand;
- (c) strengthening risk prevention and market supervision; and
- (d) quickening the Comfort Housing Project construction.

On 17 April 2010, the State Council issued the Notice on Restraining Resolutely Over-rise of Housing Prices in Some Cities (關於堅決遏制部分城市房價過快上脹的通知), which requires that:

- (a) Each district and each department practically implements its duty to stabilise property prices and residential housing guarantees.

- (b) Unreasonable housing demands should be strictly restricted and stricter credit policies should be implemented.

To strengthen real estate market regulation and enhance the implementation of these existing policies, on 29 September 2010, PBOC and China Banking Regulatory Commission (the “**CBRC**”) jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (關於完善差別化住房信貸政策有關問題的通知), in accordance with which the minimum down payment has been raised to 30 per cent. for all first home purchases, and commercial banks throughout China are required to suspend mortgage loans for purchases of a customer’s third residential real estate and beyond.

On 29 September 2010, the MOF, the State Administration of Taxation (“**SAT**”) and MOHURD jointly issued the Notice to Adjust the Preferential Policies on Deed Tax and Individual Income Tax Regarding Real Estate Transaction (關於調整房地產交易環節契稅個人所得稅優惠政策的通知), in accordance with which, as at 1 October 2010, the deed tax for individuals who purchase ordinary residential real estate with a floor area of less than 90 sq.m. as his sole family residence will be reduced to 1 per cent., and those who sell their homes and buy new ones within one year will not be eligible for reductions or exemptions on individual income tax on the profits from the sales.

On 26 January 2011, the General Office of the State Council issued the Circular on Issues Concerning Further Properly Regulating and Controlling the Real Estate Market (關於進一步做好房地產市場調控工作有關問題的通知), under which the transfer of all residential real estate purchased and held by individuals for less than five years shall be subject to business tax based on the total sale price from such transfer.

The Provisions on Sales of Commodity Properties at Clearly Marked Price (商品房銷售明碼標價規定) was issued by NDRC on 16 March 2011 and became effective on 1 May 2011. According to the provisions, any real estate developer or real estate agency (“**real estate operators**”) is required to mark the selling price explicitly and clearly for both newly-build and second-hand commodity properties. The provisions require real estate operators to clearly indicate the prices and relevant fees of commodity properties, as well as other factors affecting the prices of commodity properties to the public. With respect to the real estate development projects that have received property pre-sale permit or have completed the filing procedures for the sales of constructed properties, real estate operators shall announce all the commodity properties available for sales on at once within the specified time limit. Furthermore, with regard to a property that has been sold out, real estate operators are obliged to disclose this information and to disclose the actual transaction price. Real estate operators cannot sell commodity properties beyond the explicit marked price or charge any other fees not explicitly marked. Moreover, real estate operators may neither mislead properties purchasers with false or irregular price marking nor engage in price fraud by using false or misleading price marking methods.

On 26 February 2013, the General Office of the State Council issued a Circular on Continuing the Regulation of Real Estate Market (關於繼續做好房地產市場調控工作的通知) which requires, among other restrictive measures:

- (a) Firmly restraining purchases of residential housing for investment and speculation purposes. Non-local residents who possess one or more residential properties and fail to provide one-year or longer tax payment certificates or social insurance payment certificates are to be barred from purchasing any residential properties located in the administrative area. For cities where housing prices are increasing at an excessively high rate, local branches of the PBOC may further raise the down-payment rate and mortgage interest rate for the purchase of a second residential property. In addition, the state will strictly enforce a 20 per cent. individual income tax on home sale profits.
- (b) Expanding ordinary commodity housing units and increasing the supply of land. The overall housing land supply in 2013 shall not be lower than the average actual land supply in the past five years.

On 29 September 2014, PBOC and CBRC jointly issued the Notice of the People's Bank of China and the China Banking Regulatory Commission on Further Improving Housing Financial Services (中國人民銀行、中國銀行業監督管理委員會關於進一步做好住房金融服務工作的通知), which provides that households that take out a loan to purchase their first ordinary owner-occupied residential property, the minimum down payment ratio of the loan shall be 30 per cent. and the minimum loan interest rate shall be 0.7 times the benchmark lending rate. Banking financial institutions shall determine the specifics in this regard on their own according to risk profiles. When a household that owns an existing property for which the property purchase loan has been paid off applies for a new loan to purchase another ordinary commodity housing for the purpose of improving living conditions, the relevant banking financial institution shall adopt the lending policies applicable to the first owner-occupied property. In cities where "property purchase control measures" have been cancelled or are not implemented, if a household that owns two or more existing properties for which the property purchase loans have been paid off applies for a new loan to purchase yet another new property, the relevant banking financial institution shall specifically determine the down payment ratio and the loan interest rate in a prudent manner based on the borrower's repayment capability, credit standing and other factors. A banking financial institution may, according to the local urbanisation development planning, disburse housing loans to non-local residents who satisfy policy conditions.

On 24 September 2015, PBOC and CBRC jointly issued the Notice of the People's Bank of China and the China Banking Regulatory Commission on Further Improving the Relevant Issues concerning the Differential Housing Credit Policy (中國人民銀行、中國銀行業監督管理委員會關於進一步完善差別化住房信貸政策有關問題的通知), which provides that in cities where "property purchase control measures" are not implemented the minimum down payment ratio of a personal housing commercial loan obtained by a household to finance the purchase of the first ordinary residential property is adjusted to 25 per cent.

On 1 February 2016, PBOC and CBRC jointly issued the Circular of the People's Bank of China and China Banking Regulatory Commission on Issues Concerning Adjusting the Individual Housing Loan Policies (中國人民銀行、中國銀行業監督管理委員會關於調整個人住房貸款政策有關問題的通知). The circular specifies that, in principle, in the cities where property purchase control measures are not implemented, the minimum down payment ratio of a personal housing commercial loan obtained by a household to finance the purchase of its first ordinary residential property shall be 25 per cent. of the purchase price, however local authorities have been allowed to adjust such down payment ratio to 20 per cent. Meanwhile, with respect to a household that already owns a residential property with unsettled personal housing commercial loan and has applied for another personal housing commercial loan to purchase another ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio for that purchase shall be at least 30 per cent. of the corresponding purchase price. On 18 November 2016, PBOC Chengdu Branch and CBRC jointly issued the Circular on Further Strengthening the Management of Housing Loan Policies. The Circular specified that, in Chengdu Hi-tech Industrial Development Zone (South) and Tianfu New Area Chengdu Direct Supervision Zone, with respect to a household that already owns a residential property with unsettled personal housing commercial loan and has applied for another personal housing commercial loan to purchase another ordinary residential property, the minimum down payment ratio for that purchase shall be at least 70 per cent. of the corresponding purchase price. No personal housing commercial loan is allowed for a household that intends to purchase the third or more ordinary residential property.

According to the Notice on Matters Concerning Individual Housing Loan Policies (關於個人住房貸款政策有關問題的通知), issued by PBOC, MOHURD and CBRC on 30 March 2015 and effective on the same date, and the Notice on Adjusting the Business Tax Policies Concerning Transfer of Individual Housing (關於調整個人住房轉讓營業稅政策的通知) issued by the MOF and SAT on 30 March 2015 and implemented on 31 March 2015 (collectively, the "**330 New Policy**"), where a household, which has already owned a home and has not paid off the relevant housing loan, applies for another commercial personal housing loan to purchase another ordinary housing property for the purpose of

improving living conditions, the minimum down payment is adjusted to 40 per cent. The actual down payment ratio and loan interest rate shall be determined by the banking financial institution concerned based on the borrower's credit record and financial condition.

For working households that have contributed to the housing provident fund, when they use the housing provident fund loans to purchase an ordinary residential house as their first home, the minimum down payment shall be 20 per cent. of the house's price; for working households that have contributed to the housing provident fund and that have already owned a home and have paid off the corresponding home loans, when they apply for the housing provident fund loans for the purchase of an ordinary residential house as their second property to improve their housing conditions, the minimum down payment shall be 30 per cent. of the property price. In addition, where an individual sells a property purchased within two years, business tax shall be levied on the full amount of the sales income; where an individual sells a property that was purchased more than two years ago, business tax shall be levied on the difference between the sales income and the original purchase price of the house. The sale of an ordinary residential property purchased by an individual more than two years ago is not subject to such business tax.

Mortgage on real estate

Under the Urban Real Estate Law (中華人民共和國擔保法), the Guarantee Security Law of the People's Republic of China issued by the SCNPC on 30 June 1995 and implemented on 1 October 1995, and the Measures on the Administration of Mortgages of Real Estate in Urban Areas (城市房地產抵押管理辦法) issued by the Ministry of Construction on 9 May 1997 and implemented on 1 June 1997, as amended on 15 August 2001, when a mortgage is created on a legally obtained building, a mortgage shall be simultaneously created on the land use rights of the land on which the building is situated. When the land use rights of state-owned land acquired through means of grant are being mortgaged, the buildings on the land shall also be mortgaged at the same time. The land use rights of town and village enterprises cannot be mortgaged unless the buildings on the land are also mortgaged at the same time. When buildings owned by town and village enterprises are mortgaged, the land use rights occupied by the buildings shall also be mortgaged at the same time. The mortgager and the mortgagee shall sign a mortgage contract in writing.

Within 30 days after a real estate mortgage contract is signed, the parties to the mortgage shall register the mortgage with the real estate administration authorities at the location where the real estate is situated. A real estate mortgage contract shall become effective on the date of registration of the mortgage. If a mortgage is created on the real estate in respect of which a house ownership certificate has been obtained, the registration authority shall make an entry under the "third party rights" item on the original house ownership certificate and then issue a Certificate of Third Party Rights to the mortgagee. If a mortgage is created on the commodity building put to pre-sale or under construction, the registration authority shall record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved shall re-register the mortgage of the real property after issuance of the certificates evidencing the ownership of the real property.

On 16 March 2007, the 5th Session of the 10th National People's Congress of China adopted the Law of the People's Republic of China on Property Rights (中華人民共和國物權法)(the "**New Property Law**"), which became effective on 1 October 2007. The New Property Law further widens the scope of assets that can be mortgaged, allowing for any asset associated with property rights to be mortgaged as collateral unless a specific prohibition under another law or regulation applies. See "New property law".

Lease of buildings

The Administration Measures for Administration of Commodity Housing Tenancy (商品房屋租賃管理辦法) was issued on 1 December 2010 and came into effect on 1 February 2011. The parties to a real estate lease shall go through the lease registration formalities with the competent construction (real estate) departments of the cities directly under the central government, cities and counties where the housing is located within 30 days after the lease contract is signed. There will be a fine below

RMB1,000 on individuals who fail to make corrections within the specified time limit, and a fine between RMB1,000 and RMB10,000 on units which fail to make corrections within the specified time limit.

New property law

There are various clauses in the New Property Law to strengthen the protection on the rights of house owners: i) Article 89 of the New Property Law requests that “the construction of a building shall not violate the relevant provisions of the state on project construction, nor obstruct the air circulation, sunlight or daylight of any neighbouring building”. This clause protects house owners’ right to enjoy sunlight and prevents house developers from illegal constructions; ii) Article 81 of the New Property Law grants house owners the right to manage by themselves the building and its ancillary facilities and replace the property management company or any other manager engaged by the house developer. This clause reinforces the independent rights of house owners to manage their own community.

The New Property Law further widens the scope of assets that can be mortgaged, allowing for any asset associated with property rights to be mortgaged as collateral unless a specific prohibition under another law or regulation applies. See “PRC Regulations – Regulations on Real Estate Transfer and Sale – Mortgage on real estate”.

Real Estate Registration

According to the Interim Regulations on Real Estate Registration (不動產登記暫行條例) issued by the State Council on 24 November 2014 and enforced on 1 March 2015, PRC will apply a uniform registration system over real estate. Under this system, ownership of buildings and land use right shall be registered in accordance with the provisions of the interim regulations. If registration is applied by reasons of transfer or settlement of mortgage, the application shall be made jointly by both parties. However, the first registration application for the real estate without registration record shall be filed by either party involved. Any interested party may apply to inquire about or copy the real estate registration materials in accordance with the law and the registration. The competent authorities shall not refuse to provide the information which has been registered. Furthermore, the Interim Regulation confirmed that various real estate ownership certificates issued prior to the implementation of the interim regulation shall remain valid.

The MLR implemented the Implementing Rules of the Interim Regulations on Real Estate Registration (不動產登記暫行條例實施細則)(the “**Rules**”) on 1 January 2016. The Rules stipulate that after the acceptance of an application for real estate registration, the real estate registration authority shall perform site inspection. The owners and interested parties may enquire and obtain the relevant real estate registration information. The Rules also clarify that real estate registration information shall be managed by the relevant real estate registration authorities, which shall establish a real estate registration information management system and an information safety and confidentiality system. No individual or entity shall disclose such real estate registration information.

Bidding and Tendering Management

Bidding and tendering of various construction projects have been provided for in the Bidding and Tendering Law of the People’s Republic of China (中華人民共和國招標投標法) promulgated by SCNPC on 30 August 1999 which became effective on 1 January 2000, and amended on 27 December 2017 which amendment became effective on 28 December 2017, Regulation on the Implementation of the Bidding and Tendering Law of the People’s Republic of China (中華人民共和國招標投標法實施條例) promulgated by State Council on 20 December 2011 which became effective on 1 February 2012 and was last amended on 19 March 2018 and which amendment became effective on the same date, Measures for the Construction Bidding and Tendering of Construction Projects (工程建設項目施工招標投標辦法) jointly promulgated by NDRC, MOC, MOR, MOT, Ministry of Information Industry of the People’s Republic of China, Ministry of Water Resources of the People’s Republic of China, and Civil Aviation Administration of China promulgated on 8 March 2003 which became effective on 1 May 2003

and was amended on 11 March 2013 and which amendment became effective on 1 May 2013, Administrative Measures for the Bidding and Tendering of Design of Construction Projects issued by MOC on 18 October 2000 and became effective on the same date, Provisions on the Tendering Scope and Scale Standards of Construction Projects (建設工程設計招標投標管理辦法) issued by NDRC on 1 May 2000 and became effective on the same date and Administrative Measures for the Bidding and Tendering of Housing Construction and City Infrastructure Work (房屋建築和市政基礎設施工程施工招標投標管理辦法) issued by MOC on 1 June 2001 and became effective on the same date.

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

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

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

Quality Management

Laws and regulations on project quality mainly include Construction Law of the People's Republic of China (建築法) which became effective on 1 March 1998 and amended on 22 April 2011 which amendment became effective on 1 July 2011, Regulation on Quality Management of Construction Projects (建設工程質量管理條例) issued by the State Council on 30 January 2000 and became effective on the same date and was last amended on 7 October 2017 and which amendment became effective on the same date, Administrative Measures for Quality Management of Construction Project Survey (建設工程勘察質量管理辦法) amended by MOC on 22 November 2007 and became effective on the same date, Administrative Measures for Completion Acceptance Record of Building Construction and City Infrastructure Projects (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) issued by MOHURD on 19 October 2009 and became effective on the same date, Measures for Quality Warranty of Building Construction Projects (房屋建築工程質量保修辦法) issued by MOC on 30 June 2000 and became effective on the same date, Measures for Completion Acceptance of Port Works (港口工程竣工驗收辦法) promulgated by MOT on 12 April 2005 which became effective on 1 June 2005 and amended on 5 September 2014 and 19 April 2016, Measures for Completion (Delivery) Acceptance of Highway Works promulgated by MOT on 31 March 2004 and its implementation rules (公路工程竣(交)工驗收辦法)

which was promulgated on 1 May 2010 and Measures for the Management of Construction Project Quality Deposits (公路工程竣(交)工验收办法实施细则) issued by the MOHURD and the Ministry of Finance on 20 June 2017 and became effective on 1 July 2017.

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

REGULATION ON ENVIRONMENT

Environmental Protection Management

Major laws and regulations on environmental protection during the project construction process include the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) amended by SCNPC on 24 April 2014 which became effective on 1 January 2015, Law on Environmental Impact Assessment of the People's Republic of China (中華人民共和國環境影響評價法) promulgated by SCNPC on 28 October 2002 which became effective on 1 September 2003 and last amended on 16 July 2017, Administrative Regulations on Environmental Protection of Construction Projects (建設項目環境保護管理條例) issued by State Council on 29 November 1998 and became effective on the same date and amended on 2 July 2016, and Administrative Measures for Environmental Protection Acceptance of Construction Projects upon Completion (建設項目竣工環境保護驗收管理辦法) promulgated by SEPA on 27 December 2001 which became effective on 1 February 2002 and amended on 22 December 2010 which amendment became effective on the same date.

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

Environmental Protection

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

Air Pollution

The Air Pollution Prevention Law (大氣污染防治法), promulgated on 29 April 2000 by the Standing Committee of the National People's Congress, which became effective on 1 September 2000 and was amended on 29 August 2015 and became effective on 1 January 2016, establishes the legal framework for air pollution prevention in the PRC. The environmental protection department of the State Council formulates national air quality standards. Each of the local environmental protection bureaus is authorised to regulate air pollution within each of their respective jurisdictions by formulating specific local standards and may impose penalties for violation.

Water Pollution

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

Noise Pollution

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

Construction Projects

The Environmental Impact Appraisal Law (環境影響評價法), promulgated by the Standing Committee of the National People's Congress on 28 October 2002, which became effective on 1 September 2003 and was amended on 2 July 2016, the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例), promulgated by the State Council on 29 November 1998, which became effective on 29 November 1998 and was amended on 16 July 2017, and the Measures for the Administration of Examination and Approval of Environmental Protection Facilities of Construction Projects (建設項目竣工環境保護驗收管理辦法), promulgated by the Ministry of Environmental Protection on 27 December 2001, which became effective on 1 February 2002 and was amended on 22 December 2010, require enterprises planning construction projects to engage qualified professionals to provide assessment reports on the environmental impact of such projects. The assessment report shall be filed with and approved by the relevant environmental protection bureau prior to the commencement of any construction work. The construction project shall not commence operation, unless inspected and approved by the relevant environmental protection bureau.

REGULATIONS ON LABOUR

Employment Contracts

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

Employee Funds

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

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN PRC GAAP AND IFRS

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

Accordingly, no assurance is **provided that** the following summary of differences between PRC GAAP and IFRS is complete. In making an investment decision, each investor must rely upon its own examination of the Group, the terms of the offering and other disclosure contained herein. Each investor should consult its own professional advisors for an understanding the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

Reversal of an impairment loss

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

Related party disclosures

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

Asset valuation

Under PRC GAAP, asset values are typically measured by compounding historical costs. Under IFRS, asset values can be measured either using historical costs or by re-evaluating assets (such as property, plants and equipment) to obtain their fair value, and then deducting the cumulative depreciation and impairment losses from this value.

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Joint Lead Managers on 6 November 2018 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained therein, the Issuer has undertaken, among other things, that the Notes will be issued on 14 November 2018 (the “**Issue Date**”), and the Joint Lead Managers have severally and not jointly agreed with the Issuer to subscribe and pay for, or procure subscribers to subscribe and pay for, the Notes at an issue price of 99.409 per cent. of their principal amount in the amount set forth below:

Joint Lead Managers	Principal amount of Notes to be subscribed
	<i>(U.S.\$)</i>
China International Capital Corporation Hong Kong Securities Limited.	50,200,000
The Hongkong and Shanghai Banking Corporation Limited.	50,200,000
Guotai Junan Securities (Hong Kong) Limited	50,200,000
Haitong International Securities Company Limited.	50,200,000
CEB International Capital Corporation Limited	50,200,000
Bank of China Limited.	7,000,000
Cinda International Capital Limited	7,000,000
Orient Securities (Hong Kong) Limited.	7,000,000
China Everbright Securities (HK) Limited.	7,000,000
China CITIC Bank International Limited.	7,000,000
ICBC International Securities Limited	7,000,000
CCB International Capital Limited.	7,000,000
Total.	300,000,000

The Subscription Agreement provides that the Issuer has agreed to pay the Joint Lead Managers certain fees and commissions, to reimburse the Joint Lead Managers for certain of their expenses in connection with the initial sale and distribution of the Notes, and the Issuer will indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Notes. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and their respective subsidiaries and 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. The Joint Lead Managers and certain of their respective subsidiaries and affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for, and entered into certain commercial banking transactions with, the Issuer and/or the Group for which they have received or will receive customary fees and expenses.

The Joint Lead Managers and their respective affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. References herein to the Notes being offered should be read as including any offering of the Notes to the Joint Lead Managers and/or their affiliates acting in such capacity. In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer. 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 distribution of this Offering Circular, or any offering material, and the offering, sale or delivery of the Notes is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular, or any offering material, are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

Accordingly, the Notes should not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material, circular, prospectus, form of application or advertisement in connection with the Notes should be distributed or published in or from any jurisdiction, except in circumstances which will result in compliance with any applicable laws and regulations and will not, save as disclosed in this Offering Circular, impose any obligations on the Issuer or the Joint Lead Managers.

In connection with the issue of the notes, the Stabilising Manager (or any person(s) acting on behalf of such Stabilising Manager) may over-allot the notes or effect transactions with a view to supporting the market price of the notes at a level higher than that which might otherwise prevail. However, there is no obligation on such Stabilising Manager to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

GENERAL

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Notes, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. The Issuer will have no responsibility for, and each Joint Lead Manager will obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. None of the Joint Lead Managers is authorised to make any representation or use any information in connection with the issue, subscription and sale of the Notes, other than as contained in this Offering Circular or any amendment or supplement thereto.

If a jurisdiction requires that the offering of the Notes be made by a licensed broker or dealer and a Joint Lead Manager or any affiliate of that Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering of the Notes shall be deemed to be made by that Joint Lead Manager or its affiliate on behalf of the Issuer in such jurisdiction.

UNITED STATES

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Joint Lead Manager has represented, warranted and undertaken to the Issuer that: (i) it has not offered or sold, and will not offer or sell, any Notes constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act; and that (ii) neither it nor any of its affiliates (including any person acting on behalf of such Joint Lead Manager or any of its affiliates) has engaged or will engage in any directed selling efforts with respect to the Notes. Terms used in this paragraph above have the meanings given to them by Regulation S under the Securities Act.

UNITED KINGDOM

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

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

HONG KONG

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

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (1) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (“**SFO**”) and any rules made under the SFO; or (2) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “**C(WUMP)O**”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities 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” as defined in the SFO and any rules made under the SFO.

THE PEOPLE’S REPUBLIC OF CHINA

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

SINGAPORE

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

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

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 of the Joint Lead Manager has represented, warranted and undertaken 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 organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

GENERAL INFORMATION

1. **Clearing Systems:** The Notes have been accepted for clearance through Euroclear or Clearstream with a Common Code 190131866 and an ISIN XS1901318664. The Legal Entity Identifier number of the Issuer is 3003007DVF9FE4D0JJ37).
2. **Listing:** Application will be made to the HKSE for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only. It is expected that dealing in, and listing of, the Notes on the HKSE will commence on 15 November 2018.
3. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of the Notes, the entry into of the Trust Deed and the Agency Agreement, and the performance of its obligations under the Notes, the Trust Deed and the Agency Agreement. The issue of the Notes was authorised by resolutions of the board of directors of the Issuer passed on 16 October 2018.

An Enterprise Foreign Debt Filing Certificate dated 24 July 2018 has been obtained from the NDRC in connection with the issuance of the Notes pursuant to the NDRC Circular and which remains in full force and effect as of the date of this Offering Circular.

4. **No Material Adverse Change:** There has been no material adverse change, or any development reasonably likely to involve an adverse change, in the Group's financial or trading position, prospects or results of operations of the Group since 30 June 2018.
5. **Litigation:** Neither the Issuer nor any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer believes are material in the context of the Notes. The Issuer is not aware that any such proceedings are pending or threatened.
6. **Available Documents:** Copies of the Issuer's audited consolidated financial statements as at and for the years ended 31 December 2016 and 2017 and the reviewed interim consolidated financial statements as at and for the six months ended 30 June 2018, the Trust Deed and the Agency Agreement will be available for inspection from the Issue Date at the specified office of the Principal Paying Agent during normal business hours, so long as any of the Notes is outstanding.
7. **Independent Auditors:** The audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2016 and 2017 and the reviewed interim consolidated financial statements as at and for the six months ended 30 June 2018, which are included elsewhere in this Offering Circular, have been audited or (as the case may be) reviewed by Sichuan Huaxin (Group) CPA Firm, the independent auditors of the Group, as stated in its reports appearing herein.

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Independent Review Report

The shareholders of Chengdu Hi-tech Investment Group Co., Ltd.:

We have reviewed the accompanying financial statements of Chengdu Hi-tech Investment Group Co., Ltd. ("CDHTI Investment Co."), which comprises the consolidated balance sheet as of June 30, 2018, the consolidated income statement, the consolidated cash flow statement for the six months ended June 30, 2018. The management of CDHTI Investment Co. is responsible for the preparation of these financial statements. Our responsibility is to express an opinion on these financial statements on the basis of our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements do not present fairly, in all material respects, the consolidated financial position of CDHTI Investment Co. as of June 30, 2018, and its consolidated financial performance and cash flows of CDHTI Investment Co. of the six months ended June 30, 2018, in accordance with the requirement in Accounting Standards for Business Enterprises.

Sichuan Huaxin (Group) CPA (LLP)

Chengdu, China



Chinese Certified Public Accountant:

Chinese Certified Public Accountant:



September 30, 2018



Consolidated Balance Sheet

随同审计报告一并使用
四川华信(集团)会计师事务所

Prepared by: Chengdu High-Tech Investment Group Co., Ltd.

Currency: RMB Yuan

Item	June 30, 2018.	December 31, 2017.
Current liabilities:		
Short-term loan		500,000,000.00
Borrowings from central bank		
Deposits from customers and other banks		
Deposit funds		
Financial assets held for liabilities		
Derivative liabilities		
Notes payable		
Accounts payable	3,027,926,061.03	3,016,440,987.97
Advance from customers	351,379,510.32	331,915,152.98
Funds from sales of financial assets with repurchase agreement		
Handing charges and commissions payable		
Payroll payable	67,116,814.25	57,547,676.53
Taxes payable	24,571,373.58	256,397,130.66
Interests payable	160,347,875.47	59,216,714.23
Dividends payable	750,048.98	578,359.32
Other accounts payable	4,204,412,631.38	3,919,308,517.16
Cession insurance premiums payable		
Provision for insurance contracts	653,908,232.81	653,643,627.66
Funds received as agent of stock exchange		
Funds received as stock underwrite		
Held-for-sale liabilities		
Non-current liabilities coming due within 1 year	8,414,184,960.00	8,664,457,350.00
Other current liabilities	562,150,974.37	244,844,456.18
Total current liabilities	17,466,748,482.19	17,704,349,972.69
Non-current liabilities:		
Long-term loan	11,603,615,000.00	7,200,161,250.00
Bonds payable	2,337,928,546.11	2,087,526,074.08
Including: Preferred stock		
Perpetual debt		
Long-term payable	316,701,547.22	96,500,014.34
Long-term payroll payable	1,377,258.17	1,598,142.47
Specific payable	157,390,124.38	157,231,695.94
Estimated liabilities	79,640,773.95	79,640,773.95
Deferred income	31,196,456.21	31,283,956.19
Deferred liabilities	32,211,272.66	32,233,106.77
Other non-current liabilities	355,500,000.00	355,500,000.00
Total non-current liabilities	14,915,560,978.70	10,041,675,013.74
Total liabilities	32,382,309,460.89	27,746,024,986.43
Owners' equity: .		
Paid-in capital	14,953,537,697.03	14,953,537,697.03
Other equity instruments		
Including: Preferred stock		
Perpetual debt		
Capital reserves	1,129,792,926.54	1,129,792,926.54
Less: Treasury stock		
Other comprehensive income	173,110,765.69	173,132,989.14
Special reserve	823,312.52	135,136.89
Surplus reserve		
General reserve		
Retained earnings	-999,701,023.80	-904,569,256.42
Total owners' equity attributable to parent company	15,257,563,677.98	15,352,029,493.18
Minority owners' equity	430,393,741.87	310,144,162.64
Total owners' equity	15,687,957,419.85	15,662,173,655.82
Total liabilities and owners' equity	48,070,266,880.74	43,408,198,642.25

Legal Representative:

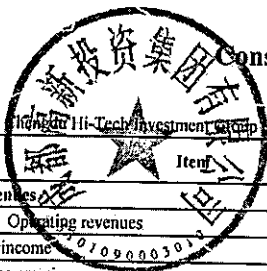
[Signature]

Competent person in charge of accounting work:

[Signature]

Accounting Supervisor:

[Signature]



Consolidated Income Statement

随同审计报告一并使用
四川华信(集团)会计师事务所

Prepared by: Hitec Hi-Tech Investment Group Co., Ltd.

Currency: RMB

Item	For the six months ended June 30, 2018	For the six months ended June 30, 2017
I. Total revenues		
Including: Operating revenues	1,064,217,830.67	905,000,289.48
Interest income	1,052,409,480.82	898,846,240.44
Insurance premiums earned	10,831,932.85	4,646,143.37
Handing charges and commissions income	976,417.00	1,507,905.67
II. Total costs		
Including: Operating costs	1,339,825,203.09	1,095,438,607.56
Interest expenses	845,521,623.47	690,926,263.65
Handing charges and commissions expenses	2,784.44	2,462.00
Refund of insurance premiums		
Net payments for insurance claims	364,003.40	
Net provision for insurance contracts	100,844.26	100,046.22
Amortized deposit for duty		
Commissions on insurance policies		
Cession charges	97,922.82	34,837.73
Tax and surcharge	74,107,683.08	74,691,647.79
Selling and distribution expenses	60,941,807.99	60,354,230.55
General and administrative expenses	119,827,752.82	112,138,296.54
Financial expenses	232,376,841.04	157,244,282.97
Asset impairment loss	6,483,939.77	-53,459.89
Add: Gains from changes in fair value (loss expressed with "-")	1,274.84	25,539,325.50
Investment income (loss expressed with "-")	185,852,780.90	66,179,079.69
Including: Investment income from joint ventures and associated enterprises	175,606,265.51	49,769,386.40
Gain on foreign exchange transactions (loss expressed with "-")		
Asset disposal income (loss expressed with "-")	3,888,299.90	
Other income	8,738,425.00	4,217,300.00
III. Profit from operations (loss expressed with "-")		
Add: Non-operating income	-77,126,591.78	-94,502,612.89
Less: Non-operating expenses	2,331,897.23	2,091,278.84
	972,464.78	1,590,389.82
IV. Profit before tax (loss expressed with "-")		
Less: Income tax expenses	-75,767,159.33	-94,001,723.87
	9,650,777.53	4,922,785.53
V. Net profit (loss expressed with "-")		
1. Profit classified as continuity		
1) Continuous operating profit and loss	-85,417,936.86	-98,924,509.40
2) Termination of the business profit and loss		
2. Profit classified as ownership		
1) Net profit attributable to parent company	-95,131,767.38	-108,535,400.53
2) Profit/loss attributable to minority share-holders	9,713,830.52	9,610,891.13
VI. Other comprehensive income after tax		
Other Comprehensive income after tax attributable to parent company	-11,966.48	-948,070.65
1. Comprehensive income not to be reclassified as profit or loss	-22,223.45	19,404.76
1) Changes in remeasured defined benefit obligations or net assets		
2) Portion of comprehensive income not to be reclassified as profit or loss under equity method		
2. Comprehensive income to be reclassified as profit or loss	-22,223.45	19,404.76
1) Portion of comprehensive income to be reclassified as profit or loss under equity method	-36,944.42	-876.02
2) Gain or loss from fair value changes of available-for-sale financial assets	14,720.97	20,280.78
3) Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets		
4) Gain or loss on effective cash flow hedging		
5) Currency translation reserve		
6) Others		
Other comprehensive income attributable to minority share-holders after tax	10,256.97	-967,475.41
VII. Total comprehensive income		
Total comprehensive income attributable to parent company	-85,429,903.34	-99,872,580.05
Total comprehensive income attributable to minority share-holders	-95,153,990.83	-108,515,995.77
	9,724,087.49	8,643,415.72

Legal Representative

Competent person in charge of accounting work

Accounting Supervisor



Consolidated Cash Flow Statement

随同审计报告一并使用
 四川华信(集团)会计师事务所

Prepared by: Chengdu Hi-Tech Investment Group Co., Ltd.

Item	For the six months ended June 30, 2018	For the six months ended June 30, 2017
1. Cash flow from operating activities		
Cash received from sales and services	1,042,959,089.23	1,146,291,419.06
Net increase in customer deposits and deposits from banks and other financial institutions		
Net increase in loans from central bank		
Net increase in loans from other financial institutions		
Premiums received on original insurance contracts	1,611,434.80	1,542,302.50
Net proceeds from reinsurance		
Net increase in deposits and investments of policy holders		
Net increase in proceeds from disposal of financial assets at fair value through profit or loss		
Interest, handling charges and commissions received	8,355,912.71	4,549,722.00
Net increase in interbank loans obtained		
Net increase in proceeds from repurchase transactions		
Taxes and surcharges refunds	17,346,076.09	10,578,868.59
Other cash received related to operating activities	3,234,269,809.26	4,742,885,111.79
Total cash inflows from operating activities	4,304,542,322.09	5,905,847,423.94
Cash paid for goods and services	2,575,774,255.04	1,693,782,943.51
Net increase in loans and advances to customers	45,302,875.61	-8,737,752.61
Net increase in deposits in central bank and in interbank loans granted		
Payments for claims on original insurance contracts	33,850,000.00	49,433,892.29
Interest, handling charges and commissions paid	5,423.04	7,200.99
Policy dividends paid		
Cash paid to and for employees	307,265,306.69	368,270,995.38
Taxes and surcharges cash payments	281,101,310.74	472,773,150.96
Other cash paid related to operating activities	3,010,905,141.30	3,317,481,631.02
Total cash outflows from operating activities	6,254,204,312.42	5,893,012,061.54
Net cash flows from operating activities	-1,949,661,990.33	12,835,362.40
2. Cash flows from investing activities		
Proceeds from disinvestments	38,164,727.78	13,480,641.22
Investment income received	3,667,978.16	3,344,579.63
Net proceeds from disposal of property, plant and equipment, intangible assets and other long-lived assets	3,768,847.50	9,800.00
Net proceeds from disposal of subsidiaries or other business units		
Other cash received related to investing activities	440,203,363.44	438,963.72
Total cash inflows from investing activities	485,804,916.88	17,273,984.57
Payments for acquisition of property, plant and equipment, intangible assets and other long-lived assets	2,093,158,136.76	7,229,133.70
Payments for investments	311,940,700.02	99,933,640.00
Net increase in pledged loans granted		
Net payments for acquisition of subsidiaries and other business units		
Other cash paid related to investing activities	6,800,102.00	542,010,242.00
Total cash outflows from investing activities	2,411,898,938.78	649,173,015.70
Net cash flows from investing activities	-1,926,094,021.90	-631,899,031.13
3. Cash flows from financing activities		
Capital contributions received	110,345,000.00	
Including: Capital contributions by non-controlling interests to subsidiaries	110,345,000.00	
Increase in borrowings	9,352,265,225.00	4,336,300,000.00
Net proceeds from issuance of bonds		
Other cash received related to other financing activities		4,696,051.65
Total cash inflows from financing activities	9,462,610,225.00	4,340,996,051.65
Repayment of borrowings	5,311,414,997.47	2,724,815,878.67
Payments for interest and dividends	416,738,556.21	352,338,080.05
Including: Dividends paid by subsidiaries to non-controlling interests	647,137.98	-1,428,927.07
Other cash paid related to financing activities	2,192,839.07	4,343,483.88
Total cash outflows from financing activities	5,730,346,392.75	3,081,497,442.60
Net cash flows from financing activities	3,732,263,832.25	1,259,498,609.05
4. Effect of foreign exchange rate changes on cash and cash equivalents	101,794.04	-53,490.96
5. Net increase in cash and cash equivalents	-143,390,385.94	640,381,449.36
Add: Opening balance of cash and cash equivalents	6,184,352,039.46	5,782,603,235.54
6. Closing balance of cash and cash equivalents	6,040,961,653.52	6,422,984,684.90

Legal Representative:

Competent person in charge of accounting work:

Accounting Supervisor:

Notes to the financial statements

(Expressed in RMB Yuan unless otherwise indicated)

I. Basic Information of the Company

1. Company profile

Chengdu Hi-tech Investment Group Co., Ltd. (hereinafter referred to as "the Company", the company and its subsidiaries hereinafter referred to as "the Group") is a wholly state-owned limited liability company set up by State-owned Assets Management Bureau of Chengdu Hi-tech Industrial Development Zone and approved by Chengdu Hi-Tech Industrial Development Zone Management Committee's executive letter (1996) 031, established on October 28, 1996. Up to June 30, 2018, the registered capital is RMB 20,695.54 million.

Unified social credit code: 91510100633110883L; Legal representative: Ran Guangjun; Location: 6th Floor, Building A, High-Tech International Plaza, No. 18 of North Section of Tianfu Avenue, Hi-tech Zone, Chengdu, China (Sichuan) Pilot Free Trade Zone; Business scope: Construction, science and technology, economic and trade development investment and other investment conforming to national policies (forbid to engaging in illegal fund-raising and absorbing public funds and other financial activities); investment project management and consulting (forbid to engaging in illegal fund-raising and absorbing public funds and other financial activities); assets management and consulting (forbid to engaging in illegal fund-raising and absorbing public funds and other financial activities); real estate development and management (operating with a license); (the above business scope shall be subject to approved projects, and business activities may be carried out after approval by relevant departments.)

Organization structure: The Company set up the Board of Directors and the Board of Supervisors. And there're Financial Department, Auditing Department, Human Resource Department, Investment Management Department, Construction Management Department, Assets Management Department, Administrative Department, Risk Management Department, Business Operations Department, The Park Development Department, Strategic Development Department, And Safety Production Department.

2. The scope of consolidated financial statements

For details, please see Note VI "Change in consolidation scope" and VII "Rights and interests in other parties".

II. Basis for the Preparation of Financial Statements

1. Preparation Basis

With the going-concern assumption as the basis and based on transactions and other events that actually occurred, the Group prepared financial statements in accordance with "The Accounting Standards for Business Enterprises - Basic Standard" issued by the Ministry of Finance and with each specific accounting standard, the Application Guidance of Accounting Standards for Business Enterprises, the Interpretation of Accounting Standards for Business Enterprises and other

regulations (hereinafter jointly referred to as “the Accounting Standards for Business Enterprises”, “China Accounting Standards” or “CAS”).

2. Continuation

The Company evaluated the processes constantly operation ability for 12 months since the Reporting Period. There was no significant suspect event to the continuation. Thus, the financial statement was prepared on the base of the assumption of continuation.

III. Significant Accounting Policies and Accounting Estimations

1. Statement for Complying with the Accounting Standard for Business Enterprise

The financial statements are prepared in accordance with the accounting standard for business enterprise, and have reflected the Company’s financial status, operating results and cash flows.

2. Accounting period

The accounting year of the company is a solar calendar year, which is from January 1 to December 31.

3. Business Cycle

The business cycle of the Company is 12 months.

4. Reporting Currency

RMB is adopted as the reporting currency of the Group.

5. Accounting methods for corporate merger under the same control and not under the same control

(1) Each transaction items, conditions and economic influence in confirm with the following one or several conditions, when realizing enterprise combination by steps, several transaction events were considered as a package deal and conducted accounting method.

- A. The transaction was set up at the same time or had considered the influence on each other;
- B. The transaction only stand as a whole, a perfect commercial result can arrive;
- C. A transaction incurred depends on at least one transaction occurred;
- D. A transaction is not economical, however, together with other transaction are economical.

(2) Business combination under the same control

The assets and liabilities that the combining party obtains in a business combination shall be measured on the basis of their carrying amount in the combined party (including goodwill formed from the final control party purchase combined party) combining party on the combining date. As for the balance between the carrying amount of the net assets obtained by the combining party and the carrying amount of the consideration paid by it (or the total par value of the shares issued), the additional paid-in capital shall be adjusted. If the additional paid-in capital is not sufficient to be offset, the retained earnings shall be adjusted.

In the event that the contingent consideration exists and the accrued liabilities or assets need to be recognized, the difference between the accrued liabilities or assets and the settlement amount of subsequent contingent consideration shall adjust the capital surplus (capital premium or stock premium), and if the capital surplus is not sufficient, adjust the retained earnings.

Where the corporate merger and acquisition is realized through multiple transactions, if these transactions belong to a package transaction, each transaction shall be accounted as a transaction to obtain the right to control; if these transactions do not belong to a package transaction, on the date the right to control is obtained, the difference between the initial investment costs of the long-term equity investment and the carrying value of long-term equity investment before the M&A plus the

carrying value of the new consideration paid to further get the shares on the date of M&A shall be charged against the capital surplus, and if the capital surplus is insufficient, the difference shall be charged against the remaining earnings. For the equity investment held before the date of M&A, the other comprehensive earnings accounted for using the equity method or recognized with the financial tool and accounted for and recognized using the measurement criteria shall not be accounted, until the investment is disposed of, at which time, the investment shall be accounted for on the same basis as the investee directly disposes related assets or liabilities; the changes to the owner's equity in the investee's net assets accounted and recognized using the equity method other than the net profit or losses, other comprehensive earnings and profit distribution, shall not be accounted, until the investment is disposed of, at which time, it shall be carried over to the current profits or losses.

(3) Business combination not under the same control

The "acquisition date" refers to the date on which the Company actually obtains the control on the acquiree, that is, the date on which acquiree's net asset or the right of control of production decision are transferred to the Company. The right of control is thought to be transferred when the following conditions are simultaneously satisfied:

- ① The contract or agreement of business combination has been approved by the internal authority of the Company.
- ② The events of the business combination in need of the approval of relevant national authorities have been approved.
- ③ The necessary property rights transfer has been made.
- ④ The Company has paid the most of the combined price, and the Company is able to pay the rest of it with plans.
- ⑤ The Company actually has controlled the finance and operation policy of the acquiree, enjoying the corresponding benefits and taking corresponding risks.

The Company shall, on the acquisition date, measure the assets given and liabilities incurred or assumed by an enterprise for a business combination in light of their fair values, and shall record the balances between them and their carrying amounts into the profits and losses at the current period.

The Company shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as business reputation. The Company shall record, upon recheck, the negative balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree into the profit and loss of the current period.

Where a merger of enterprises not under the same control is realized through multiple transactions step by step, if these transactions belong to a package transaction, each transaction shall be accounted as a transaction to obtain the right to control; if these transactions do not belong to a package transaction, and the equity investment held before the date of M&A is accounted using the equity method, the sum of the carrying value of the equity investment in the acquiree held before the date of the acquisition, plus the new investment costs on the date of the acquisition shall be the initial investment costs of the investment; other comprehensive earnings of the equity investment held before the date of acquisition accounted and recognized using the equity method shall be accounted on the same basis as the investee directly disposes relevant assets or liabilities when the investment is disposed of

. If the equity investment held before the date of M&A is recognized using the financial tool and accounted using the measurement criterion, the sum of the fair value of the equity investment on the date of M&A plus the new investment costs shall be the initial investment costs at the date of M&A. The difference between the fair value and carrying value of the held equity and changes to the accumulated fair value charged against other comprehensive earnings shall be fully converted the current investment earnings at the date of M&A.

(4) Relevant costs incurred from the business combination

The intermediary fees (fees for audit, legal and evaluation & consulting services, etc.) and other relevant management expenses incurred on the acquirer for the business combination shall be recorded into current gains and losses when incurred. The trading expenses arising from the acquirer's issuing equity securities or debt securities as the combination consideration shall be included in the initially recognized amount of the equity securities or debt securities.

6. Methods for preparing consolidated financial statements

(1) Consolidation scope

The consolidation scope for financial statements is determined on the basis of control. The consolidated financial statements comprise the financial statements of the Group and its subsidiaries. A subsidiary is an enterprise or entity controlled by the Group.

(2) Consolidation process

The Group incorporates all of the subsidiaries and structured entities under its control into the consolidated financial statements.

For any difference occurring in accounting policies and accounting periods between the Company and its subsidiaries when preparing consolidated financial statements, necessary adjustments shall be made based on accounting policies and periods of the Company.

The company prepares consolidated financial statements based on its own and the subsidiaries' financial statements as well as other relevant information. In the preparation of the consolidated financial statements, the group is identified as an accounting entity to reflect the overall financial position, operating results and cash flow, according to the requirements of the related accounting standards for business enterprises recognition, measurement and presentation, in accordance with the unified accounting policy.

All the subsidiaries in the consolidation scope are as consistent in subsidiary accounting policies, accounting period with the company. If those above are inconsistent, when preparing the consolidated financial statements, it needs to make necessary adjustments according to the company's accounting policies and accounting period.

In the process of consolidation, it is necessary to offset the impact on the consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity which are caused by the occurrence of insider trading between the company and subsidiary and also between each subsidiary. If there is a different opinion on the identity of the same transaction when standing on the point of the consolidation statement on the enterprise group or which the company and subsidiary are the main bodies of accounts, it need make adjust from the perspective of the enterprise group.

The balance which is formed because that the loss minority shareholders bear in the current period is more than the share of the owner's equity minority shareholders have in the early period, offset the interests minority shareholders have. For the subsidiary acquired in a business

consolidation under the same control, the adjustment is made based on its book value in the financial statements with ultimate control. For the subsidiary acquired in a business consolidation instead of under the same control, the adjustment is made based on the fair value of the identifiable net assets on purchasing day.

The acquired in a business combination under the same control subsidiary, with its assets and liabilities (including the ultimate controlling party acquisition of the subsidiaries and the formation of goodwill) adjustment is based on its financial statements on financial statements in the book value of the ultimate control.

For the subsidiary companies under the control of non-identical control, the fair value of the identifiable net assets of the company is adjusted on the basis of the fair value of the net assets.

Where the Group disposed of part of long-term equity investment in the subsidiaries without losing control over of such subsidiaries, in the financial statements, the balance between the income from disposal and the net assets proportion of the subsidiaries entitled by the disposed of long-term equity investment and continually calculated from the purchase day or day of merger is adjusted as the capital stock premium of the capital public reserve and retained earnings is adjusted in case of the capital public reserve not enough for deduction.

Where the Group lost the control over the invested party for such reason as disposing of partial equity investment, the remaining equity was re-measured as per the fair value of such equity on the day of losing controlling right when preparing the consolidated financial statements. The balance between the sum of the consideration from the disposal of equity and the fair value of the remaining equity and the net assets proportion of the subsidiaries entitled by the disposed of long-term equity investment and continually calculated from the purchase day or day of merger is included in the investment income for the period and the goodwill is deducted. Other consolidated income related to the equity investment of the original subsidiary shall be transferred into current investment profit and loss upon losing control.

Where the Group lost control over a subsidiary through multiple transactions and step-by-step disposal of the equity of the subsidiary, and such multiple transactions to a package deal, the multiple transactions shall be deemed one transaction in which the control in the subsidiary was lost; however, the balance between the disposal price and the net assets proportion of the subsidiaries entitled by the disposed of long-term equity investment prior losing control over the subsidiary was recognized as other comprehensive income and was transferred to the profits and losses of current period at the time of losing control.

7. Classification of joint arrangement and accounting methods for joint operation

The joint arrangement of the Group includes joint operation and joint venture. For jointly operated projects, the Group as a partner recognizes the assets and debts it holds independently and proportionally as well as recognizes the income and expenses as agreed. Where the purchase and sale of an asset during joint operation does not constitute a business, only the part in the profits and losses from the transaction belonging to other partners is recognized.

(1) Category of the joint arrangement

A joint arrangement refers to an arrangement jointly controlled by two participants or above. The Group classifies joint arrangements into joint operations and joint ventures according to its rights and duties in the joint arrangements. A joint operation refers to a joint arrangement where the Group

enjoys assets and has to bear liabilities related to the arrangement. A joint venture refers to a joint arrangement where the Group is only entitled to the net assets of the arrangement.

The joint arrangement achieves not through the individual main body should be divided as the joint operation. Individual main body refers to the entity owns the individual distinguishable financial structure, including the individual legal entities and the entities without legal entity qualification but gains the legal permits. The joint arrangement achieves through individual main body is usually divided into the joint venture, but for the joint arrangement with definite evidence vindicates that meet with any condition of the followings and meet with the regulations of the relevant laws and regulations should be divided into joint operation; the legal form of other joint arrangement indicates that, the jointly owned party respectively enjoys the rights and burdens the obligations of the relevant assets and liabilities among the arrangement; the clauses of the contracts of the joint arrangement agrees that, the jointly owned party respectively enjoys the rights and burdens the obligations of the relevant assets and liabilities among the arrangement; other relevant facts and situation indicates that, the jointly owned party respectively enjoys the rights and burdens the obligations of the relevant assets and liabilities among the arrangement, for example, the jointly owned party enjoys almost all of the output related to the joint arrangement and the liquidation of the liabilities of the arrangement constantly depends on the support of the jointly owned party. It's forbidden to regard the jointly owned party which provides the liabilities for the joint arrangement as it has the responsibility to bear the relevant liabilities. For the jointly owned party takes the responsibility to pay the attributive obligations for the joint arrangement, not be considered to undertake the relevant liabilities related to the arrangement. For the relevant facts and the changes of the situation leads the rights enjoyed and the liabilities undertook amount the joint arrangement change, the Group should re-assess the category of the joint arrangement. For the structured agreement setting various joint arrangements for achieving different activities, the Group respectively recognizes each category of the joint arrangement.

(2) Accounting treatment of joint operations

The following projects related to the interests portion among the joint operation recognized by the Group and be executed according to the regulations of the relevant ASBE: recognizes the assets held alone and the assets joint held by recognizing according to the portion; recognizes the jointly-held assets and jointly-borne liabilities according to the Group's stake in the joint operation; recognizes the income from sale of the Group's share in the output of the joint operation; recognizes the income from sale of the joint operation's outputs according to the Group's stake in it; and recognizes the expense solely incurred to the Group and the expense incurred to the joint operation according to the Group's stake in it.

When the Group, as a joint operator, transfers or sells assets (except for the assets constituting business) to the joint operation, before the assets are sold to a third party, the Group only recognizes the share of the other joint operators in the gains and losses arising from the sale. Where impairment occurs to the assets as prescribed in "The Accounting Standard No. 8 for Business Enterprises - Asset Impairment", the Group shall fully recognizes the loss. When the Group, purchases assets from the joint operation (except for the assets constituting business) to the joint operation, before the assets are sold to a third party, the Group only recognizes the share of the other joint operators in the gains and losses arising from the sale. Where impairment occurs to the assets as prescribed in "The Accounting Standard No. 8 for Business Enterprises - Asset Impairment", the Group shall fully

recognize the loss according to its stake in the joint operation for a purchase of assets from the joint operation.

If the Group attributes to the participate party without joint control on the joint operation, if enjoys the relevant assets and undertakes the relevant liabilities of the joint operation, should execute accounting treatment according to the above principles; otherwise, should execute the accounting treatment according to the accounting policies of the measurement of the financial instruments or the long-term equity investment formulated by the Group.

8. Recognition standard for cash and cash equivalents

Cash in the Cash Flow Statement refers to cash in hold and deposits which can be used for payment at any time. Cash equivalents in the Cash Flow Statements refer to short-lived (generally not more than 3 months) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

9. Foreign currency businesses and translation of foreign currency financial statements

(1) Accounting treatments for the translation of foreign currency transactions

The transactions denominated in foreign currency of the Group are converted in the initial recognition at the rate which is approximate to the spot exchange rate on the transaction day, which shall be the spot exchange rate of the beginning of the month when the transaction occurs.

On the balance sheet date, the monetary items denominated in foreign currency are translated to RMB at the spot exchange rate at the balance sheet date, and the balance between the spot exchange rate at the balance sheet date and the rate in the initial recognition or on the last balance sheet date is included in current profits and losses except for 1) the balance from exchange of specific borrowings that is capitalized and included as part of the cost qualifying asset; 2) the balance from exchange of hedge instrument adopted for evading the exchange risks that is treated according to hedge accounting; 3) the balance from exchange arising from the foreign currency non-monetary items available for sale (e.g. the stock) and that arising from the change in the book value of the monetary items available for sale except for amortized cost is recognized as other comprehensive income. Non-monetary items of foreign currency measured by historical cost still adopt spot exchange rate of transaction date for conversion with functional currency amount unchanged. As for the foreign currency non-monetary items measured by fair value, the spot exchange rate on the date when the fair value is confirmed is adopted for conversion. The amount differences between functional currency amount after conversion and the original functional currency amount, processed as fair value changes (including the change in exchange rate), are recognized into current profits and losses or recognized into other comprehensive incomes.

(2) Translation of foreign currency financial statements

The asset and liability items in the balance sheets shall be translated at a spot exchange rate ruling at the balance sheet date. Among the owner's equity items, except the ones as "retained earnings", others shall be translated at the spot exchange rate ruling at the time when they occurred. The income and expense items in the income statements shall be translated at an exchange rate which is determined in a systematic and reasonable way and is approximate to the spot exchange rate (calculated by the average of starting rate and closing rate on the reporting period) ruling at the transaction date. The foreign exchange difference arisen from the translation of foreign currency financial statements shall be presented separately under the owner's equity in the balance sheet.

Disposal in overseas business, the balance sheet items of other comprehensive income is presented, and the overseas business translation of foreign currency financial statements related to difference from other comprehensive income items into the disposal of profits and losses of the current period; in the disposal of equity investment or other reasons lead to hold environment operating outside the ratio of equity to reduce but not a loss of overseas business control, and the offshore disposal operations in part related to the translation of foreign currency statements difference will belong to minority interests. Do not turn into the profits and losses of the current period. When dealing with overseas operations as an affiliated enterprise or part of the equity of the joint venture, the foreign currency statement translation difference with the overseas operation shall be transferred to the current profit and loss.

10. Financial tools

Financial instruments include financial assets, financial liabilities and equity instruments.

1. Categories of financial Tools

The Company divides the financial assets into four categories: financial assets measured at fair value and their variations are recognized as current gain/loss, including trade financial assets or financial liabilities and recognized directly as financial assets measured at fair value and their variations are recognized as current gain/loss; Investment hold till expiration; loans and account receivable; saleable financial assets. The company divides the financial liabilities into two categories: financial liabilities measured at fair value and their variations are recognized as current gain/loss; other financial liabilities.

2. Recognition and measurement of financial tools

(1) Financial assets and liabilities measured at fair value and their variations are recognized as current gain/loss

The fair value (after deducting of announced but not distributed cash dividend or due but not obtained bond interests) is recognized as initial amount when obtained.

Interests or cash dividends during the period of holding are recognized as investment gains. The fair value will be adjusted and accounted as current gain/loss.

When disposed of, the differences between fair value and initial amount are recognized as investment gains, and thus adjust the gain/loss of fair value.

(2) Account receivable

Receivables are non-derivative financial assets that are not available in the active market and are fixed or determined by the amount of the recovery.

The receivable debts of selling goods or providing services, and the credits of other companies hold by the company not including the debt which has price in the active market, including accounts receivable, notes receivable, prepaid accounts, other receivables, long-term receivables, etc. The contract or agreement price charging from purchaser should be taken as the initial confirmation amount; if it has the nature of financing, it should be confirmed according to its current value.

When retrieved or disposed of, the difference between the actual received amount and the book value is accounted as current gain/loss.

(3) Investments hold till expiration

The fair value (after deducting of due but not obtained bond interests) plus the related trade expenses are recognized as the initial amount when obtained.

Interest gains will be calculated at amortizing of costs and actual interest rate (the face rate is

adopted when the difference between the actual rate and face rate is minor) during the period of holding and accounted as investment gains. The actual rate is recognized when obtained and is not changed in the predictable holding period or applicable shorter period.

When disposed of, the difference between the obtained price and book value is accounted as investment gains.

If the company sells or reclassifies large-amount due investments before the expired date (large amount refers to comparing with the amount before the selling or reclassifying the investments), the company will reclassify the rest of the investments as financial assets for sale, and in the current accounting period or within two complete accounting years, no financial assets will be classified as holding due assets, except for the following situations: the sale date or reclassification date is close to the expired date of the investment (such as three months before the expired), and the change of interest rate has no significant influence on the fair value of the investment; after all the initial principal is mostly recovered according to periodic payments or repay in advance regulated by the contract, the rest part will be sold or reclassified; the sale and reclassification is caused by the independent events which are uncontrollable and unexpected and will not happen anymore.

(4) Saleable financial assets

The fair value (after deducting of announced but not distributed cash dividend or due but not obtained bond interests) plus the related trade expenses is recognized as initial amount when obtained.

Interest or cash dividend occurred during the period of holding is recognized as investment gains. Change of fair value is accounted as capital reserves (other capital reserves) at the end of the term.

When disposed of, the difference between the obtained price and book value is accounted as investment gains.

Meanwhile, the corresponding part of an accumulated change of fair value accounted as owners' equity is transferred into investment gain/loss.

(5) Other financial liabilities

Other financial liabilities are recognized initially at the sum of fair value and related trade expenses. Successive measurement will be on the basis of amortized costs.

(6) Investment hold till expiration by the company to sell or reclassified as available for sale financial assets

If the amount of held to maturity investment disposal or re-classified as other financial assets, are relatively larger than maturity investment all held by the company before sale or re-classification, it is necessary to re-classify the rest of held to maturity investment as available-for-sale financial assets immediately after disposal or sale. However, the following circumstances are excluded:

A. The date of sale or the date of reclassification is relatively close to the date of maturity or redemption date of investment (e.g., within three months prior to the expiration date), and the change in the market interest rate has no significant effect on the fair value of the investment;

B. In accordance with the terms of payment agreed upon in the contract, the enterprise has recovered almost all initial principal;

C. The sale or reclassification is caused by an uncontrollable event that the company is unable to control, which is not expected to recur and is difficult to reasonably predict.

3. Recognition and measurement basis of financial asset transposition

When financial asset transposition occurred, the recognition of this particular financial asset is

terminated if almost all the risks and rewards attached to the asset have been transferred to the acceptor. If the financial assets retain all the risks and rewards of ownership of financial assets, they can be confirmed.

When determining whether the transfer of financial assets meet the conditions of confirmation of the above financial assets, the principle of the substance being more important than form should be adopted. The transfer of financial assets can be divided into an overall transfer and part transfer of financial assets. If the transfer of financial assets meets the conditions of terminating confirmation, the following the difference of the two amounts will be included in the current profit and loss: a. The Book value of the financial asset to be transposed; b. The sum of price received due to the transposition, and the accumulation of change in fair value originally accounted as owners' equity (when the asset to be transposed is the saleable financial asset).

If part transfer of financial assets meet the conditions of terminating confirmation, the book value of the transferred financial assets, the difference between the confirmed part and the unconfirmed part (in this case, the service assets retained should be deemed as the part of unconfirmed financial assets), should be amortized in accordance with their relative fair value, and the difference between the following two amount should be included current profit and loss:

A. The Book value of the confirmed part;

B. All fair values of financial assets and financial liabilities are recognized with reference to the price in the active market.

If the transfer of financial assets does not meet the conditions of terminating confirmation, the financial assets should be confirmed again, the prices received will be recognized as financial liabilities.

4. The conditions of stopping the financial liabilities

The obligation of financial liabilities is already canceled which should be stopped confirming the financial liability or the part of it. Our company could stop confirming the current financial liability and begin to confirm the new financial liability if the loaner made an agreement that they would assume the new way of financial liability which replaces the current one, and make sure the new financial liability is totally different from the old one in contract with our company.

Stop admitting the financial liability or a part of it, and at meantime we could admit the new financial liability which is in new insertions of contract as the newly financial liability if the current financial liability has been revised.

Stop admitting the balance of the value of financial liability and consideration (Including the roll-out of non-cash assets or financial liabilities) which could be considered as current profits and losses.

Stop and continue admitting a part of the value, and distribute the value of financial liability, if our company repurchased the part of the financial liability. And the balance of the value of which distributed to the part of stopping admitting and paid (Including the roll-out of non-cash assets or financial liabilities) which could be considered as current profits and losses.

5. Recognition basis of financial assets and financial liabilities

All fair values of financial assets and financial liabilities are recognized with reference to the price in the active market (Using valuation technique, etc.).

6. Impairment provision for financial assets

(1) Impairment provision for financial assets for sale:

If the fair value of financial assets for sale greatly drops at the end of the period, or after considering all the relevant factors and expecting decrease trend is non-temporary, the impairment should be confirmed, and the accumulative loss formed by the decrease of fair value of owner's equity originally included should be transferred out altogether and confirmed as impairment loss.

(2) Holding the impairment provision of expired investments:

The measurement of holding the impairment provision of expired investment will be according to the method of the measurement of impairment provision for receivables.

7. Offset between financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Otherwise, financial assets and financial liabilities are separately shown in the balance sheet and not allowed to offset.

11. Accounts Receivable

This policy is suitable for accounts receivable and other accounts receivable.

On the balance sheet date, the group inspects the book value of the receivables. If there is the following objective evidence to show that the receivables have been reduced, the provision for bad debt shall be made: A. the debtors suffer from serious financial difficulties; B. debtors are breach of contract terms (such as default or overdue payment of interest or principal); C. debtors are likely to fail or otherwise restructure; D. other objective evidence shows the value reduction of receivables.

(1) Accounts receivable with the single amount for which bad debt provision separately accrued

The accounts receivable of more than RMB 1 million shall be recognized as the significant receivables.

The Group should make the impairment test separately and accrue the bad debt provisions for Staff reserves, the receivable from government departments and related parties and other specific companies. If no impairment occurs in a separate test, the impairment test shall be itemized according to whether a single item is significant or not, and shall no longer be included in accounts receivable withdrawal of bad debt provision by credit risks characteristics to make the impairment test.

(2) Accounts receivable adopting balance percentage method to withdraw bad debt provision

The unit other than the unit for the provision of bad debts in a single item shall be calculated and withdrawn in combination. According to the portfolio history loss experience and the current economic situation and the existing loss assessment in the expected portfolio of receivables, provision for bad debts shall be made at 5% of the balance of receivables.

(3) The provisioning method for bad debt of subsidiary Hi-Tech Development Co.

1) Accounts receivable with the significant single amount for which bad debt provision separately accrued

The judgment standard	Top 5 of the closing balance of accounts receivable collected according to the arrears party
The method of provision for bad debts	If there is objective evidence that there is impairment, the Group shall confirm the impairment loss and make provision for bad debts according to the difference between the present value of its future cash flow and its book value. If no impairment occurs in a separate test, the

impairment test shall be included in accounts receivable withdrawal of bad debt provision by credit risks characteristics to make the impairment test.

2) Accounts receivable withdrawal of bad debt provision by credit risks characteristics

A. Accounts receivable withdrawal of bad debt provision by credit risks characteristics includes accounts receivable adopting an aging analysis method to withdraw bad debt provision and accounts receivable adopting other methods to withdraw bad debt provision

B. The basis of determining the combination

Aging combination: Receivables of the same age have similar credit risk characteristics

Other combination: Futures contract margin, pledge margin, clearing margin, accounts receivable between accounting entities within the scope of consolidation, bid bond paid according to project bidding documents and project contracts, performance bond, migrant worker's salary margin, unexpired quality deposit, accounts receivable of government departments and accounts in the contract period normally with no recovery risk.

C. Withdrawal method and withdrawal proportion

Type of combination	Withdrawal method
Aging combination	Aging analysis method
Other combination	Made no bad debt provision

Continued:

Aging	Withdrawal proportion
Within 1 year	1%
1 to 2 years	10%
2 to 3 years	25%
Over 3 years	50%

The accounting age of the project quality margin shall be calculated from the date when the project quality guarantee period is expired after the completion and acceptance of the project and the date on which the project quality margin is recovered according to the contract; The contract or agreement stipulates the date of receipt of the receivables, and the date of receipt as agreed in the contract or agreement shall be regarded as the starting date of the accounting age.

3) Accounts receivable with the insignificant single amount for which bad debt provision separately accrued

Reason	Receivables which are not significant in single amount and which cannot reflect their risk characteristics in accordance with the provision of bad debts in combination
The method of provision for bad debts	If there is objective evidence that there is impairment, the Group shall confirm the impairment loss and make provision for bad debts according to the difference between the present value of its future cash flow and its book value. If no impairment occurs in a separate test, the impairment test shall be included in accounts receivable withdrawal of bad debt provision by credit risks characteristics to make the impairment test.

If there is objective evidence that the value of the receivables has been restored and is objectively related to the matter on which the confirmation of the loss is based, the impairment loss previously confirmed shall be reversed and recorded into the current profit and loss. However, the book value with no impairment provision of the reversion shall not exceed the amortized cost of the receivables on the reversion date.

12. Loans Loss Reserves

The group uses the allowance method to calculate loans loss reserves.

The loans are divided into asset portfolios according to the risk characteristics from the five-class classification results, and the loan loss provision is calculated according to the asset portfolios. The ratio is as follows:

Category of loans	Withdrawal proportion
“ Pass	1%
Special mention	2%
Sub standard	25%
Doubtful	50%
Loss	100%

13. Inventory

(1) Inventory classification

The inventories of the Group include raw materials, low-value consumables, goods in process, revolving goods, finished goods, development cost and development product etc.

(2) The method of valuation by which inventories are acquired and issued

Inventory is acquired at the actual cost, including purchase, processing and other costs.

1) Development costs are aggregated according to the project. The larger part of the accumulated expenses of the agent-construction project than the corresponding accumulative financial allocations should be disclosed in Inventory; otherwise, it should be disclosed in Other Current Liabilities. Land for development is recorded at the actual cost of acquisition, in project development, land costs are apportioned in the project development costs according to the proportion of the building area or the projection area, no separate calculating building area or projection area of the part does not apportion the land cost. The public supporting facilities shall be accounted for according to the actual amount. If it can be identified to the specific development project, it should be directly included in the development cost of the development project. If it cannot be directly determined to the specific development project, it should be collected in development cost, and when the public supporting facilities are completed, apportion the cost to the various development projects according to the saleable area.

2) The issuance of raw materials, finished goods and development products is carried forward by the weighted average method.

3) Recognition of net realizable value and withdrawal of provision for falling price of inventory

At the end of every year, the Company shall make an overall checking to inventory, thereafter, the provision for falling price of inventory shall be measured according to its cost or its net realizable value, whichever is lower. Finished goods, merchandise inventories, and available for sale materials which are applied directly for sales of stock inventory, under normal producing process, to the amount after deducting the estimated sale expense and relevant taxes from the estimated sale price of the inventory, the net realizable value has been recognized. Material

inventories which need to be processed, under normal producing process, to the amount after deducting the estimated cost of completion, estimated sale expense and relevant taxes from the estimated sale price of produced finished goods, the net realizable value has been recognized. The net realizable value of inventories held for the execution of a sales contract or labor contract shall be calculated on the basis of the contract price. If an enterprise holds more inventories than the quantities subscribed in the sales contract, the net realizable value of the excessive inventories shall be calculated on the basis of the general sales price.

Ordinarily, the Company shall make provision for falling price of inventories on the ground of each item of inventories. For inventories with large quantity and relatively low unit prices, the provision for falling price of inventories shall be made on the ground of the categories of inventories. For the inventories related to the series of products manufactured and sold in the same area, and of which the final use or purpose is identical or similar thereto, and if it is difficult to measure them by separating them from other items, the provision for falling price of inventories shall be made on a combination basis.

If the factors causing any write-down of the inventories have disappeared, the amount of write-down shall be resumed and be reversed from the provision for the loss of the decline in value of inventories that have been made. The reversed amount shall be included in the current profits and losses.

- 4) Inventory system: Perpetual inventory system
- 5) One-off amortization method for the low-value consumption goods;
- 6) Amortization methods for rental and development product

The products developed by the Group shall not be amortized for temporary rental, when the recognition conditions of investment real estate are satisfied, the inventory should be transferred to the accounting of investment real estate, and the amortization is carried out by the method of average years, the amortization period is 40 years, with an estimated net salvage rate of 5% and an annual amortization rate of 2.38%.

14. Long-Term Equity Investments

The long-term equity investment of the Group includes mainly the investment to the subsidiaries, associated enterprises and joint ventures.

The basis for the Group to define joint control is that all participating parties or the combination of the parties control the arrangement jointly and the policies relevant to the activities of the arrangement must be agreed by such parties.

The Group will be generally deemed to have a significant impact on the invested entity if the Group holds 20% (inclusive) to 50% of voting right of an invested entity directly or indirectly through its subsidiaries. Where the Group holds less than 20% of voting right of an invested entity, the Group's significant impact on the invested entity will depend on whether the Group has its representative in the Board of Director or any similar organ of power of the invested entity, whether the Group participates in the formulation of financial and operating policies of the invested entity, whether the Group has important deals with the invested entity, whether the Group dispatches management personnel to the invested entity or whether the Group provides the invested entity with key technical data.

Any entity under the control of the Group is the subsidiary of the Group. The long-term equity investment acquired through merging with an enterprise under common control, the book value of

the net asset of the acquisition in the consolidated financial statements of the ultimate controller on the day of the merger is taken as the initial investment cost of the long-term equity investment. Where the book value of the net asset of the acquiree on the day of the merger is negative, the cost of the long-term equity investment is recognized as zero.

Where the long-term equity investment is acquired through merging with an enterprise not under common control, the merger cost is taken as initial investment cost. The merger cost is the fair value of the assets given, debt occurred or borne and equity securities issued by the Group for acquiring the controlling right of the acquiree on the day of the merger.

Aside from the above long-term equity investment acquired by the merger of enterprises, long-term equity investment acquired by cash payment adopts the actual paid purchase amount as the investment cost; long-term equity investment acquired by issuance of equity securities adopts the fair value of issued equity securities as the investment cost; long-term equity investment invested by investors adopts the value reached in the investment contract or agreement as the investment cost.

The investment of the Group to the subsidiaries is calculated with cost method, and equity method is applied for joint ventures and associated enterprises.

For the long-term equity investment with cost method applied for subsequent measurement, in case of investment is added, the book value of the long-term equity investment cost is added with the fair value of additional investment cost and resulting transaction expenses. The cash dividend or profit distributed by an investment entity is recognized as a current return on investment based on the distributed amount.

For the long-term equity investment with equity method applied for subsequent measurement, the book value of the long-term equity investment is increased or decreased with the change in the ownership equity of the invested entity. The proportion of net profit or loss of the invested company to be enjoyed or assumed by the Group is confirmed by taking the fair value of recognizable assets of the investee company upon obtaining the investments as the base, and offsetting the proportion of internal transaction profits and losses occurring between the associated enterprises and joint ventures which is due to the investing enterprise according to shareholding proportion and adjusting the net profit of the invested unit.

For disposal of long-term equity investment, the difference between the book value and the actually received payment shall be recognized into current income. For the disposal of the long-term equity investments which are calculated with equity method and recognized into the owner equity due to the changes in owner equity other than the net profits and losses of the investee company, the part initially recognized into the owner equity shall be carried over to current income and losses in corresponding proportion.

Where losing joint control over or significant impact on the invested entity is a result of such fact as disposing partial equity investment, the remaining equity is calculated as the financial asset available for sale and the balance between the fair value and the book value of the remaining equity on the day of losing joint control or significant impact is included in current profits and losses. For other comprehensive income of the original equity investment recognized with equity method, the basis same as that of the invested entity directly disposing relevant asset or debts is applied for accounting when the equity method is ceased to be used.

Where losing control over the invested entity is a result of disposing partial long-term equity investment and the Group has a common control over or have significant impact on the invested entity by using the remaining equity, the equity method is applied, the balance between the book value and disposal consideration of the disposed of equity is included in the return on investment, and the remaining equity is adjusted as if it was calculated with equity method since the acquiring of such equity. In case the Group cannot have a common control over or have significant impact on the invested entity by using the remaining equity, regulations for financial assets available for sale are applied and the balance between the book value and disposal consideration of the disposed of equity is included in the return on investment, and the balance between the fair value and book value of the remaining equity on the day of losing control is included in current profits and losses.

Impairment of long-term equity investment refers to accounting policy Note III.21 "Impairment of Long-Term Assets" of the Group.

15. Investment Real Estate

The term "investment real estate" refers to the real estate held for generating rent and/or capital appreciation, including the right to use any land which has already been rented, the right to use any land which is held and prepared for transfer after appreciation, and the right to use any building which has already been rented. Besides, the vacant buildings held by the Company for renting are also presented and listed as investment real estate if the Board of Directors made the written decision to confirm it to be used for renting with no change of the purposes in the short term.

The investment real estate of the Company is regarded as entry value according to its costs. The cost of an investment real estate by acquisition consists of the acquisition price, relevant taxes, and other expenses directly relegated to the asset; the cost of a self-built investment real estate composes of the necessary expenses for building the asset to the hoped condition for use. The Company adopts the cost method in the subsequent measurement of investment property in line with the estimated useful life and the net ratio of remaining value withdrawing depreciation or amortization.

When the usage of investment real estate is changed for being used for its own, the Company will convert the investment real estate into fixed assets or intangible assets from the date of the change. When the usage of real estate used for its own was changed for generating rents or capital appreciation, the Company will convert fixed assets or intangible assets into investment real estate from the date of the change. The book value before converting is taken as entry value after converting when converted.

If an investment real estate is disposed of, or if it withdraws permanently from use and if no economic benefit will be obtained from the disposal, the recognition of it as an investment real estate shall be terminated. The disposal income of investment real estate's sales, transfer, discards, or damage deducting the book value of the investment real estate as well as the relevant taxes shall be included the current profits and losses.

Impairment of investment in real estate refers to accounting policy Note III.21 "Impairment of Long-Term Assets" of the Group.

16. Fixed Assets

(1) Recognized standard of fixed assets

The term "fixed assets" refers to the tangible assets that simultaneously possess the features as follows: they are held for the sake of producing commodities, rendering labor service, renting or business management; and their useful life is in excess of one fiscal year.

(2) The classification, pricing and depreciation method of fixed assets by finance lease

The initial measurement of fixed assets is based on cost and the impact of anticipated disposal costs. When the fixed assets reach the predetermined usable state, the depreciation of fixed assets within the service life shall be calculated from the next month. The Useful life, Expected net salvage value, annual depreciation rate and depreciation methods of various fixed assets are as follows:

Category of fixed assets	Useful life (year)	Expected net salvage value (%)	Annual depreciation (%)	Depreciation method
House and building	30 - 40	3 - 5	2.38 - 3.23	Straight-line depreciation
General equipment	10 - 20	3 - 5	4.75 - 9.70	Straight-line depreciation
Transportation equipment	6 - 12	3 - 5	7.92 - 16.17	Straight-line depreciation
Office equipment	5 - 10	3 - 5	9.50 - 19.40	Straight-line depreciation
Electronic equipment	5	3 - 5	19.00 - 19.40	Straight-line depreciation
Other equipment	4 - 6	3 - 5	15.83 - 24.25	Straight-line depreciation

(3) Impairment of fixed assets refers to accounting policy Note III.21 "Impairment of Long-Term Assets" of the Group.

(4) Others

The subsequent expenses which meet the recognition condition of fixed assets are recorded into the cost of fixed assets, otherwise included in the current gains and losses.

When a fixed asset is disposed of or it is not expected to generate any economic benefits through its use or disposal, the fixed asset is derecognized. The amount of disposable income of disposal, transfer, scrapping or damage of fixed assets after deducting the book value and related taxes and fees shall be included in the current profits and losses.

The group shall review the service life, expected net residual value and depreciation method of fixed assets at least at the end of the year. Any change shall be treated as an accounting estimate change.

17. Construction in Progress

The valuation of the construction in progress: recognizes the engineering cost according to the cost actual occurred. The cost of construction in progress also includes the borrowing expenses and exchange gains and losses which should be capitalized.

The company should transfer the construction in progress into fixed assets when the construction in progress is ready for their intended use. If the built construction had reached the state ready for intended use but had not settled the fixed assets of completion settlement, should recognized as fixed assets according to the estimated value as well withdrew and depreciated; after executing the completion settlement procedure, it should adjust the original provisional estimate value according to the actual cost but not the original withdrew depreciation amount.

Impairment of construction in progress refers to accounting policy Note III.21 "Impairment of Long-Term Assets" of the Group.

18. Borrowing Expenses

Borrowing expenses include interest, amortization of discount or premium, auxiliary expenses, translation differences arising from borrowings in foreign currency etc. The Company starts to capitalize the borrowing expenses in direct connection to purchase, construction or production of the assets that meet capitalization conditions when there are assets expenditures and borrowing expenses incurred and/or the Company starts all the necessary events to purchase, construct or produce such assets till the assets can be used and sold. Other borrowing expenses are recognized as costs when incurred.

The Company capitalizes the actual interest expense incurred by use of special borrowings, minus the interest income from the remaining borrowing funds in the bank or any investment income earned from the interim investment of those borrowings; and for general borrowings, the amount to capitalize is the weighted average of the accumulated assets expenditures in excess of the special borrowings times the capitalization rate of the used general borrowings, which is determined by the weighted average interest rate of the general borrowings.

During capitalization, all translation differences of special borrowings in foreign currency should be capitalized while those of general borrowings in foreign currency are recorded in current profit and loss.

The qualifying assets to be capitalized are fixed assets, investment properties and inventories which need to be acquired, constructed or produced through a long period of time, in order to become ready for its intended use or sale.

The Company stops capitalization of borrowing costs if an abnormal interruption of more than 3 consecutive months occurs during purchase, construction or production of the assets that are eligible to capitalization till all those restarts.

For the special loan borrowed for the purchase or production of assets eligible for capitalization, the amount of the borrowing costs incurred in the current period of a special loan, minus the amount of interest earned in the bank on unused borrowed funds or the return on the investment obtained by a temporary investment, to determine the amount of capitalization of borrowing costs.

If general borrowings are used to purchase, construct or produce the capitalization eligible assets, the borrowing cost to capitalize is the weighted average of the accumulated assets expenditures in excess of the special borrowings times the capitalization rate of the used general borrowings, which is determined by the weighted average interest rate of the general borrowings.

19. Intangible Assets

The Company makes initial measurements on intangible assets in terms of the costs and determines the useful life when obtaining the assets. For intangible assets of a limited useful life, from the time the assets are available for use, the Company adopts the amortization method that reflects realization of the expected economic benefits, or the straight-line amortization method if unable reliably to determine how to realize the expected economic benefits; and no amortization are made for intangible assets of an unlimited useful life.

At the end of each year, the Company reviews the useful life and amortization methods of intangible assets of a limited useful life and makes adjustments and accounting treatment if different from the previous estimates.

For the intangible assets that are estimated to produce no more economic benefits in the future, the Company records the book value of such assets all in current profit and loss.

Intangible assets with uncertain service life shall be explained the judgment basis for the uncertainty of service life, and be explained the procedures for reviewing the useful life of the intangible assets during each accounting period, as well as the results of impairment tests for the intangible assets.

Impairment of intangible refers to accounting policy Note III.21 "Impairment of Long-Term Assets" of the Group.

20. Long-Term Unamortized Expenses

Long-term unamortized expenses are valued at the actual costs and amortized at average in an estimated beneficial period of time. If those cannot benefit the Company in future accounting periods, the remaining will be recorded all in current profit and loss.

21. Impairment of Long-Term Assets

On balance sheet dates, the Company determines whether there are impairments occurring to fixed assets, construction in progress, intangible assets of a limited life, investment properties measured in the cost model as well as non-current and non-financial assets like the long-term equity investments on subsidiaries, joint ventures and associated companies. If impaired, the Company estimates the retrievable amount and conducts an impairment test. Impairment tests need to be done on goodwill, intangible assets of an unlimited life and the intangible assets that are not yet to reach the usable status, no matter they are impaired or not.

If the impairment test result shows the retrievable amount lower than the book value, impairment provisions will be set aside and recorded the impairment loss. The retrievable amount is the fair value of the assets minus the disposal expenses or the present value of the estimated future cash flows of the assets, whichever is higher. The fair value of the assets is determined in terms of the price specified in the selling agreement that is fair trade; if no selling agreement but there is an active asset's market existing, it is determined in terms of the buyer's offer; and if no selling agreement and active assets market, the fair value can be estimated based on the best available information. Disposal expenses include all related legal charges, taxes, delivery fees or the direct expenses incurred to have the assets reach the usable or sellable status. To determine the present value of the estimated future cash flows from the assets, the Company chooses an appropriate discount rate in the light of the continual usage of the assets and the estimated future cash flows occurring upon final disposal. Impairment provisions of the assets are calculated and recognized on the basis of individual assets. If unable to estimate the retrievable amount of individual assets, the Company determines the amount by reference to the asset group that includes the individual assets. Asset groups are the minimum assets combination that independently produces cash inflows.

For the goodwill separately listed in financial statements, while an impairment test being conducted, the book value is apportioned to the asset groups or combination of asset groups expected to benefit from the synergy effects arising from business combinations. The Company recognizes impairment losses when the test result shows that the retrievable amount of the asset groups or combination of asset groups is lower than their book values. The impairment loss will be first used to write down the book values of the asset groups or combination of asset groups and then those of other assets pro rata.

Once the aforesaid impairment losses are recognized, they cannot be reinstated in the future.

22. Payroll

Payroll refers to the remuneration or compensation paid by the Group in various forms for the acquisition of services provided by employees or severing labor relations, which includes short-term compensation, welfare demission, dismissal welfare, and other welfare of the long-term employees.

(1) Short-Term Compensation

Short-term compensation refers to the payroll payment of the employee providing service during the end of Reporting Period within 12 months that the Group should pay, excepting the welfare after demission and termination benefits. During the accounting period that the employees providing the service, should be calculated and recognized the corresponding payroll amount according to the stated withdrawal basic and proportion.

(2) Post-employment Benefit

Post-employment Benefit, is to obtain services provided by employees, provide all kinds of rewards and benefits after the retirement of the employees or cancellation of staff employment contracts, excepting short-term compensation and retirement benefits.

All of the Group's Post-employment Benefit plans are setting drawing plans.

The setting drawing plan of Post-employment Benefit is the social basic pension insurance, unemployment insurance, etc, which implemented by the local labor and social security offices. In addition to social basic pension insurance and unemployment insurance, the Group participated in corporate pension scheme. In the framework of Corporate Pension Scheme, employees can voluntarily take part in the pension plan before January 1, 2017, according to the corporate pension scheme of Implementing Rules for China Paper Corporate Pension Scheme. During the accounting period that the employee providing service for the Group, the amount should pay in line with the setting drawing plan will be recognized as liabilities and record into current profits or losses or cost of relevant assets.

Apart from regularly making the aforesaid payments pursuant to the government's standards and the annuity fund plan, the Group bears no responsibility for other payments in this respect.

(3) Dismiss welfare

welfare refers to the Group's cancellation of the labor relationship with the employees before the labor contract maturity or compensation for encouraging the employee voluntarily accept reduction, when the Group is unable to unilaterally withdraw the plan on the cancellation of labor relationship or the layoff proposal, or when recognizing the costs or expenses (the earlier one between the two) related to the reorganization of paying the dismissal welfare, should recognize the payroll liabilities from the dismiss welfare and include in the current gains and losses.

(4) Other Welfare of the Long-term Employees

Other welfare of the long-term employees refers to other welfares excluding short-term compensation, welfare after demission and demission welfare.

23. Bonds Payable

Non-convertible corporate bonds issued by the group shall be treated as liabilities in accordance with the amount actually received (excluding relevant transaction costs); Bond issuance difference between the actual amounts received and total face value of bonds, as the bond premium or discount, and amortize according to the actual interest rate and the principles of management of the borrowing costs.

24. Estimated Liabilities

(1) Recognition Standard of Estimated Liabilities

The obligation pertinent to the Contingencies shall be recognized as estimated liabilities when the following conditions are satisfied simultaneously: The obligation is a current obligation of the Company; It is likely to cause any economic benefit to flow out of the Company as a result of performance of the obligation; and The amount of the obligation can be measured in a reliable way.

(2) Measurement Method of Estimated Liabilities

The estimated debts shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation.

To determine the best estimate, an enterprise shall take into full consideration of the risks, uncertainty, time value of money, and other factors pertinent to the Contingencies. If the time value of money is of great significance, the best estimate shall be determined after discounting the relevant future outflow of cash.

The best estimate shall be conducted in the light of the following situations:

If there is a sequent range for the necessary expenses and if all the outcomes within this range are equally likely to occur, the best estimate shall be determined in accordance with the middle estimate (average number of bound) within the range.

If there is not a sequent range for the necessary expenses, or although there is a sequent range for the necessary expenses but all possible outcomes are not the same within the scope, i.e. If the Contingencies concern a single item, best estimate shall be determined in the light of the most likely outcome; If the Contingencies concern two or more items, the best estimate should be calculated and determined in accordance with all possible outcomes and the relevant probabilities. When all or some of the expenses necessary for the liquidation of estimated debts of an enterprise is expected to be compensated by a third party, the compensation should be separately recognized as an asset only when it is virtually certain that the reimbursement will be obtained. The amount recognized for the reimbursement should not exceed the book value of the estimated debts.

25. Unearned Premium Reserve and Guarantee Compensation Reserve

The Group shall set aside unearned premium reserve according to 50% of current guarantee income. While when the guaranteed period expired, the Group switched back the corresponding unearned premium reserve.

The Group shall draw the guarantee compensation reserve at the rate of 1% of the balance of guarantee liability at the end of the year. When the accumulated guarantee compensation reserve reached 10% of the balance of guarantee liability in the current year, the Group shall set aside the difference. For the compensatory projects, the Group shall draw the guarantee compensation reserve in accordance with case-by-case estimation method.

26. Revenues**(1) Sale of goods**

The significant risks and rewards of ownership of the goods have been transferred to the buyer by the enterprise; The enterprise retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods; The relevant amount of revenue can be measured in a reliable way; The relevant economic benefits may flow into the enterprise; and the relevant costs incurred or to be incurred can be measured in a reliable way.

1) When the following conditions occur simultaneously, confirm the realization of sales revenue of development product

Completed and accepted, signed the sales contract and performed the obligations stipulated in the contract; the amount of income can be measured reliably; the associated economic benefits are likely to flow in; the cost of the project has occurred or will occur can be reliably measured.

2) Installment sales method

When the development product is completed and accepted, signed the installment sales contract and performed the obligations stipulated in the contract, the amount of income can be measured reliably, the associated economic benefits are likely to flow in and the cost of the project has occurred or will occur can be reliably measured. The company shall determine the amount of revenue based on the fair value of the contract price receivable, the difference between the contract price and the fair value of the contract price should be amortized in accordance with real interest rate method and included in the current profit or loss.

(2) Agent-construction project

The Group accepts the agent-construction project entrusted by Chengdu Hi-Tech Industrial Development Zone Management Committee and confirms the working funds according to the agreed ratio.

If the Group accepts the agent-construction project entrusted by other entity, the working funds shall be confirmed according to the ratio agreed in the contract between the two parties.

(3) Rental property

Confirm the realization of the income of the leased property according to the lease date (the rent-free period with consideration of the rent-free period) and the rental amount agreed in the agreement or contract.

(4) Providing labor services

If the Company can, on the date of the balance sheet, reliably estimate the outcome of a transaction concerning the labor services it provides, it shall recognize the revenue from providing services employing the percentage-of-completion method. Schedule of completion under the transaction concerning the providing of labor services shall be recognized in the light of the measurement of the work completed.

The reliably estimate the outcome of a transaction concerning the labor services it provides, which simultaneously meets the following conditions: 1) the amount of revenue can be measured in a reliable way; 2) relevant economy profits may inflow enterprises; 3) the schedule of completion of the transaction can be measured in a reliable way; 4) the cost occurred or will occur in the transaction can be measured in a reliable way.

The Company shall ascertain the total revenue from the providing of labor services in accordance with the received or to-be-received price of the party that receives the labor services as stipulated in the contract or agreement unless the received or to-be-received price as stipulated in the contract or agreement is unfair. The Company shall, on the date of the balance sheet, ascertain the current revenue from providing labor services in accordance with the amount of multiplying the total amount of revenues from providing labor services by the schedule of completion then deducting the accumulative revenues from the providing of labor services that have been recognized in the previous accounting periods. At the same time, the enterprise shall carry forward the current cost of labor services in accordance with the sum of multiplying the total amount of revenues arising from the providing of labor services by the schedule of completion and then deducting the accumulative revenues from the providing of labor services.

If the Company can't, on the date of the balance sheet, reliably estimate the outcome of a transaction concerning the labor services it provides, it shall be handled under the following conditions: 1) if the cost of labor services incurred is expected to be compensated, the revenue from the providing of labor services shall be recognized in accordance with the amount of the cost of labor services incurred, and the cost of labor services shall be carried forward at the same amount; 2) if the cost of labor services incurred is not expected to compensate, the cost incurred should be included in the current profits and losses, and no revenue from the providing of labor services may be recognized.

If the contracts the Company sign with other enterprises include the sale of goods and rendering of service, and both of them can be separated and individually calculated, deal with them separately. For those sales of goods and rendering of service cannot be separated, or thought can be separated but not be individually calculated, consider sale of goods and rendering of service as the sale of goods.

(5) Guarantee

When the guarantee contract has been signed and the economic benefits related to the transaction are likely to flow into the enterprise, the Group recognizes the realization of the income.

The Group shall confirm the guaranteed income in accordance with the rate of fee agreed upon in the guarantee contract signed with the guarantor.

According to the approval of Chengdu High-Tech Zone Economic and Trade Development Bureau (Chenggao Jingfa [2007] No. 96), the Group should appoint the guarantee fee within 50% of the benchmark lending rate of the people's bank of China.

(6) Working funds of angel funds

The group shall, in accordance with the relevant management measures issued by the Chengdu Hi-Tech Industrial Development Zone Management Committee, withdraw the management fee to confirm the income.

(7) Interest income

The group should recognize the income based on the real interest rate and the time of others using the Group's monetary funds.

(8) Other income

Signed the contract; the amount of income can be measured reliably; the associated economic benefits are likely to flow in; the cost of the project has occurred or will occur can be reliably measured.

27. Construction Contract

In the event that the results of the construction contract can be reliably estimated, the contract income and contract costs shall be recognized on the balance sheet date in accordance with the percentage of completion method. The progress of the contract shall be determined according to the ratio of the accumulated actual contract cost to the estimated total contract cost or the proportion of the completed contract workload to the estimated total contract workload.

As the result of a construction contract cannot be estimated reliably, but the contract costs be can be recovered, contract revenue shall be recognized according to the actual contract costs, the contract costs shall be recognized as contract expenses in the current; If the contract cost is impossible to be recovered, it shall be immediately recognized as the contract cost and the contract revenue shall not be recognized. Where there is no longer an element of uncertainty that makes the

results of a construction contract unreliable, the income and expenses related to the construction contract shall be determined in accordance with the percentage of completion method.

If the total estimated cost of the contract exceeds the total revenue of the contract, the estimated loss shall be recognized as the current cost.

28. Lease

A lease transferring all risks and remuneration related to the ownership of the leasing assets through lease articles in nature is a financing lease. Others are operating leases.

(1) Accounting Treatment of Operating Lease

A. Operating Leasing Assets

Rent charge paid for leasing assets shall be apportioned at the straight-line method and recorded into the current expense within the overall rent period including rent-free period. The initial direct expense paid by the Company related to lease transaction shall be included into the current expense.

Where the lessor undertakes the expenses related to the lease that should be undertaken by the Company, the Company shall deduct such expense from total rental, and such deducted rental fee shall be apportioned within the rent period and included into the current expense.

B. Operation Renting out Assets

Rent charge received for renting out assets shall be apportioned at the straight-line method and recognized as rental income within the overall rent period including the rent-free period. The initial direct expense paid by the Company related to lease transaction shall be included into the current expense. In the event of the larger amount, it shall be capitalized and recorded in the current income by installment within the overall lease period.

Where the Company undertakes the expenses related to the lease that should be undertaken by the lessor, the Company shall deduct such expense from total rental income, and such deducted rental fee shall be apportioned within the rental period.

(2) Accounting Treatments of Financial Lease

A. Assets acquired under finance leases: On the lease beginning date, the Company shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognize the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges.

The unrecognized financing charges are amortized over the lease term and recorded into finance costs adopting the effective interest rate method.

B. Assets lost under finance leases: On the lease beginning date, the Company shall recognize the difference between financing lease receivables and the unguaranteed residual value in a finance lease as unrealized financing income and recognize as income of lease during the future period of receiving lease income. The initial direct cost related to lease transaction occurred in the Company, record into an initial calculation of financing lease receivables, decrease the amount of lease income recognized during the lease period.

29. Government Subsidy

Government subsidy refers to the group's acquisition of monetary assets and non-monetary assets free of charge from the government, excluding the capital invested by the government as the owner.

Government subsidy is divided into government subsidy related to assets and government subsidy related to income.

When government subsidies are monetary assets, they shall be measured according to the amount received or receivable. When government subsidies are non-monetary assets, they shall be measured at fair value. If the fair value cannot be obtained reliably, it shall be measured in nominal amount. Government subsidies measured in the nominal amounts shall be directly included in current profits and losses.

Government subsidy related to assets shall be recognized as deferred income and shall be included in profit and loss in a reasonable and systematic way in the service life of relevant assets. If the relevant assets are sold, transferred, scrapped or damaged before the end of their service life, the balance of the relevant deferred income that has not been distributed shall be transferred to the profit and loss of the current period of asset disposal.

Government subsidy related to income shall be accounted in accordance with the following provisions: (1) Used for compensating the related cost expenses or losses in enterprise's later period, shall be recognized as deferred income, and be recorded into the profits and losses of the current or write down related costs when confirm the related expenses or losses; (2) Used for compensating any relevant costs or losses incurred by the enterprise, it shall be directly included in the current profits and losses or write down related costs.

Policy preferential loan discount interest obtained by the Group shall be accounted in accordance with the following provisions: (1) If the government allocates the discount interest funds to the loan bank, the Group shall take the actual amount of loans received as the value of the loan into account and calculate the borrowing costs according to the loan principal and the preferential interest rate; (2) If the government allocates the discount interest funds to the Group, the corresponding discount interest shall be offset against the relevant borrowing costs.

For the government subsidies that including both the asset-related part and the income-related part, different parts shall be classified for accounting treatment respectively. If it is difficult to distinguish, it shall be classified as a government subsidy related to income as a whole.

If the government subsidy that has been confirmed needs to be returned, the accounting treatment shall be carried out in accordance with the following provisions in the case of the current period in which the return is required: (1) If the book value of relevant assets is written down at the initial confirmation, the book value of assets shall be adjusted; (2) If there is relevant deferred income, the book balance of relevant deferred income shall be written off, and the excess shall be included in the current profit and loss; (3) In other cases, it shall be directly included in the profits and losses of the current period.

Government subsidies related to the daily activities of enterprises shall be included in other income or offset related costs according to the nature of the economic business. Government subsidies unrelated to the daily activities of enterprises shall be included in the non-operating income and non-operating expenses.

30. Income Tax Expenses

The income tax expenses include current income tax and deferred income tax

- (1) Current Income Tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

(2) Deferred Tax Assets and Deferred Tax Liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax is generally recognized for all temporary differences. Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of the transaction, no deferred tax asset or liability is recognized.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realized or the liability is settled.

Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in other comprehensive income or in shareholders' equity, in which case they are recognised in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

(3) Net off of Income Taxes

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation

authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

31. Changes in Main Accounting Policies and Estimates

(1) Change of accounting policies

The Group has no accounting policy change need to disclose.

(2) Changes in accounting estimates

The Group has no accounting estimate change need to disclose.

IV. Taxation

(1) Main Taxes and Tax Rate

Category of taxes	Tax basis	Tax rate
Value-added tax (VAT)	The output tax is calculated based on the revenue from sales of goods and the provision of taxable labor services according to tax law, and value added tax payable should be the balance of the Output tax for the period after deducting the deductible input tax for the period.	3%, 5%, 6%, 10%, 11%, 13%, 16%, 17%
Urban maintenance and construction tax	Levied based on the actual payment of business tax, VAT and consumption tax	1%, 5%, 7%
Enterprise income tax	Levied based on the taxable income	15%, 25%
Land value-added tax	Levied based on added value	30% - 60%
Housing property tax	Levied based on the 70% of the original value of the housing or rental income as tax base	12%, 1.2%
Land-use tax	Levied based on the actual occupied area and the unit tax amount approved by the tax authorities	

(2) Tax Preference Policies and Basis

1) According to stipulation of "Notice of the State Administration of Taxation of the People's Republic of China on the implementation of preferential income tax for venture capital enterprises" (Guoshuifa [2009] No.87) and "Circular of Ministry of Finance and State Administration of Taxation of the People's Republic of China on the implementation of preferential policies on enterprise income tax" (Caishui [2009] No.69), Chengdu Hi-Tech Investment Venture Capital Co., Ltd, a first-level subsidiary, invests in unlisted small and medium-sized high-tech enterprises and deducts 70% of the taxable income in the year when the equity has been held for two years. If the current year is insufficient, the deduction may be carried forward in the subsequent tax year.

2) According to stipulation of "Circular of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation of the People's Republic of China on taxation policy issues related to the in-depth implementation of the western development strategy" (Caishui [2011] No.58), From January 1, 2011 to December 31, 2020, the enterprise income tax shall be levied at a reduced rate of 15% for the encouraged industrial enterprises in western China, and according to the Chengdu Economic and Information Commission's paper [2012] No.684, the main business of Chengdu Hi-Tech Investment Financial Guarantee Co., Ltd. was recognized as encouraged industrial project, the enterprise income tax shall be levied at a reduced rate of 15%.

3) According to Chengdu Economic and Information Commission's paper [2014] No.757, the main business of second-level subsidiary Chengdu Hi-Tech Investment Century Property Services Co. Ltd. was recognized as an encouraged industrial project, the enterprise income tax shall be levied at a reduced rate of 15% from 2014 to 2018.

4) According to Chengdu Municipal Development and Reform Commission's paper [2017] No.44, the main business of Chengdu Hi-Tech Investment Technology Petty Loan Co., Ltd. was recognized as an encouraged industrial project, the enterprise income tax shall be levied at a reduced rate of 15%.

5) According to "Notice of the State Administration of Taxation on printing and distributing the administrative measures on tax rebate (exemption) for export goods (trial)" (Guoshuifa [2005] No.51), Chengdu Chengxin Semiconductor Manufacturing Co. Ltd., a first-class subsidiary, sells products without VAT and additional taxes.

6) According to "Notice on the trial of replacing business tax with VAT" (Caishui [2016] No.36) issued by Ministry of Finance and State Administration of Taxation, In the consolidated loan repayment business, the interest charged by the Company to its subordinate units shall be exempted from VAT at a rate not higher than the borrowing rate paid to the financial institution or the coupon rate paid to the bond.

7) According to "Notice on tax policies to support financing of small and micro businesses" (Caishui [2017] No.77) issued by Ministry of Finance and State Administration of Taxation, from December 1, 2017 solstice on December 31, 2019, Chengdu Hi-Tech Investment Technology Petty Loan Co., Ltd. issued small-amount loans to farmers, small enterprises, micro enterprises and individual industrial and commercial businesses, with the exemption of VAT. For the purpose of this notice, the term "small loan" means a loan granted by a single household to farmers, small enterprises, micro enterprises or individual industrial and commercial businesses with a credit of less than 1 million yuan (inclusive). If there is no line of credit, it refers to the loan with the contract amount of a single-family loan and the loan balance is less than 1 million yuan (principal amount included).

8) According to "Notice on VAT policies such as tax deduction on the input of leased fixed assets" (Caishui [2017] No.90) issued by Ministry of Finance and State Administration of Taxation, from January 1, 2018 solstice on December 31, 2019, Chengdu Hi-Tech Investment Financial Guarantee Co., Ltd. provides financing guarantee income obtained by financing guarantee for farmers, small enterprises, micro enterprises and individual industrial and commercial tenants, with the exemption of VAT.

V. Notes to the Consolidated Financial Statements

(Expressed in RMB Yuan unless otherwise indicated)

In order to simplify the disclosure of information, the unit within the Group's merger scope uses the following abbreviation: "Chengdu Hi-Tech Investment International Trade Co., Ltd." is called "CDHTI International Trade Co."; "Chengdu Hi-tech District Tuoxin Industry Investment Co., Ltd." is called "Tuoxin Co."; "Chengdu Hi-Tech Investment Asset Management Co., Ltd." is called "CDHTI Asset Management Co."; "Chengdu Hi-Tech Investment Real Estate Co., Ltd." is called "CDHTI Real Estate Co."; "Chengdu Hi-tech Investment Financial Guarantee Co., Ltd." is called "CDHTI Guarantee Co."; "Chengdu Hi-Tech Investment Construction and Development Co., Ltd." is called "CDHTI Construction Co."; "Chengdu Hi-Tech Investment Venture Capital Co., Ltd." is called "CDHTI Venture Co."; "Chengdu Hi-Tech Winpower Investment and Development Co., Ltd." is called "CDHTI Winpower Co."; "Chengdu Tianfu Software Park Co., Ltd." is called "Tianfu Software Park Co."; "Chengdu Hi-Tech Investment

Sports Management Co., Ltd." is called "CDHTI Sports Co."; "Chengdu Hi-tech Investment Technology Microfinance Co., Ltd." is called "CDHTI Microfinance Co."; "Chengdu Hi-Tech Development Co., Ltd." is called "Hi-Tech Development Co."; "Chengdu Chengxin Semiconductor Manufacturing Co., Ltd." is called "Chengxin Co."; "Chengdu Hi-Tech Investment Biological Medicine Park Management Co., Ltd." is called "Biological Medicine Park Co."; "Chengdu Yingkai Investment Co., Ltd." is called "Yingkai Co."; "Chengdu Gexin Engineering Project Management Co., Ltd." is called "Gexin Co."; "Chengdu Hi-Tech Investment Techno Park Property Management Co., Ltd." is called "CDHTI Property Co."; "Chengdu Hi-Tech Investment Long Island Real Estate Co., Ltd." is called "CDHTI Long Island Co."; "Mianyang Brilliant Construction and Development Co., Ltd." is called "Mianyang Brilliant Co."; "Chengdu Hi-Tech Investment Century Property Services Co., Ltd." is called "Century Property Co.".

1. Monetary Funds

Item	June 30, 2018.	December 31, 2017.
Cash	314,363.70	460,244.61
Including: RMB	314,363.70	460,244.61
Bank deposits	5,404,590,704.60	5,509,486,872.05
Including: RMB	5,402,412,608.41	5,507,345,358.72
USD	2,178,096.19	2,141,513.33
Other monetary funds	729,230,264.99	770,184,336.10
Including: RMB	729,230,264.99	770,184,336.10
Total	6,134,135,333.29	6,280,131,452.76

2. Accounts Receivable

(1) Accounts receivable classified by category

Category	June 30, 2018.				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with significant single amount for which bad debt provision separately accrued	446,260,106.89	34.59	4,056,656.13	0.91	442,203,450.76
Accounts receivable withdrawal of bad debt provision by credit risks characteristics	818,756,902.06	63.46	41,354,951.82	5.05	777,401,950.24
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	25,117,337.15	1.95	20,753,860.90	82.63	4,363,476.25
Total	1,290,134,346.10	100.00	66,165,468.85		1,223,968,877.25

Continued:

Category	December 31, 2017.				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with significant	446,603,382.89	35.40	4,056,656.13	0.91	442,546,726.76

Category	December 31, 2017.				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
single amount for which bad debt provision separately accrued					
Accounts receivable withdrawal of bad debt provision by credit risks characteristics	791,778,158.83	62.75	37,354,502.16	4.72	754,423,656.67
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	23,342,366.33	1.85	18,108,063.60	77.58	5,234,302.73
Total	1,261,723,908.05	100.00	59,519,221.89		1,202,204,686.16

A. Accounts receivable with significant single amount for which bad debt provision separately accrued

Creditor	Debtor	June 30, 2018.			
		Accounts receivable	Bad debt provision	Withdrawal proportion (%)	Withdrawal reason
The Company	Bureau of finance and financial services of Chengdu Hi-Tech Industrial Development Zone	431,657,965.35			Government departments
CDHTI Construction Co.	Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd.	5,576,378.28			Related parties
CDHTI Construction Co.	Chengdu Hi-Tech Industrial Development Zone Cooperation Street Office	2,705,523.13			Government departments
CDHTI Real Estate Co.	Chengdu Silu Investment Management Co., Ltd.	2,704,222.13	2,704,222.13	100.00	Expected irrecoverable
CDHTI Real Estate Co.	Aidishi Sichuan Hotel Management Co., Ltd.	1,352,434.00	1,352,434.00	100.00	Expected irrecoverable
The Company	Chengdu Coe Technology Co., Ltd.	1,261,584.00			Related parties
CDHTI Construction Co.	Chengdu Hi-Tech Zone Housing Security Center	1,002,000.00			Government departments
Total		446,260,106.89	4,056,656.13		

B. Among these groups, accounts receivable adopting aging analysis method to withdraw bad debt provision

Aging	June 30, 2018.		
	Accounts receivable	Bad debt provision	Withdrawal proportion (%)
Within 1 year	242,832,143.21	2,428,321.44	1.00
1 to 2 years	19,089,983.81	1,908,998.38	10.00
2 to 3 years	3,915,036.45	978,759.12	25.00

Over 3 years	31,169,032.10	15,584,516.05	50.00
Total	297,006,195.57	20,900,594.99	

C. Among these groups, accounts receivable adopting balance percentage method to withdraw bad debt provision

Item	June 30, 2018.		
	Accounts receivable	Bad debt provision	Withdrawal proportion (%)
balance percentage method	415,690,538.15	20,454,356.83	5.00
Total	415,690,538.15	20,454,356.83	

D. Among these groups, accounts receivable adopting other method to withdraw bad debt provision

Item	June 30, 2018.		
	Accounts receivable	Bad debt provision	Withdrawal proportion (%)
Unexpired quality deposit	54,334,068.51		
Accounts receivable of government departments	51,726,099.83		
Total	106,060,168.34		

E. Accounts receivable with insignificant single amount for which bad debt provision separately accrued

Company name	Nature	Book balance	Bad debt provision	Withdrawal proportion (%)	Withdrawal reason
Chengdu Gaowei Sports Construction Development Co., Ltd.	The funds and margin of project development	8,176,627.37	8,176,627.37	100.00	Unable to payback
Sichuan Tiankun Housing Development Co., Ltd.	Project development funds	6,700,000.00	6,700,000.00	100.00	Base on the lawsuit progress
Accounts receivable of government departments	The rent etc.	3,088,075.09			Note 1
Chengdu Promising-Chip Electronic Co., Ltd.	Consulting fees etc.	1,092,980.56	1,092,980.56	100.00	Expected irrecoverable
Accounts receivable of related parties	The business payment	768,313.51			Note 1
Chengdu Municipal Construction And Development Co., Ltd.	project funds	653,129.96	653,129.96	100.00	Not confirmed by the debtor
Sichuan Aisi Sports Culture Co., Ltd.	The business payment	575,624.00	575,624.00	100.00	Base on the lawsuit progress
Semiconductor Manufacturing International Corporation	Payment for goods	507,087.65			Expected free of bad debts
Chengdu Emci Color Printing Factory	Guarantee	450,000.00	450,000.00	100.00	Note 2

Company name	Nature	Book balance	Bad debt provision	Withdrawal proportion (%)	Withdrawal reason
	payment				
Sichuan Bashu New Image Advertising Co., Ltd.	Guarantee payment	400,000.00	400,000.00	100.00	Note 2
Chengdu Longxin Technology Co., Ltd.	The rent	387,540.04	387,540.04	100.00	Unable to payback
Sichuan Bei'er Agriculture Technology Co., Ltd.	Guarantee payment	375,000.00	375,000.00	100.00	Note 2
Sichuan Yongya Hill Hotel Management Co., Ltd.	The rent	316,642.71	316,642.71	100.00	Expected irrecoverable
Chengdu Hanxintong Technology Co., Ltd.	Outsourcing cost	238,000.00	238,000.00	100.00	Note 3
Sichuan Zhuoxin Biological Material Research Co., Ltd.	Consulting fees	200,000.00	200,000.00	100.00	Expected irrecoverable
Chengdu Guoxin'an Information Industrial Base Co., Ltd.	The rent	188,160.00	188,160.00	100.00	Unable to contact the debtor
Sichuan Jiudou Star Power Co., Ltd.	In lieu of utility bills	181,687.50	181,687.50	100.00	Expected irrecoverable
Chengdu Sailong Communication Technology Co., Ltd.	The rent	143,815.76	143,815.76	100.00	Expected irrecoverable
Sichuan Aisi Tennis Culture Promotion Co., Ltd.	The business payment	116,856.00	116,856.00	100.00	Base on the lawsuit progress
Chengdu Jinzijing Communication Technology Co., Ltd.	Outsourcing cost	114,000.00	114,000.00	100.00	Note 4
Chengdu Tianfu Yihe Real Estate Co., Ltd.	land exchange payment	89,200.00	89,200.00	100.00	Not confirmed by the debtor
Chengdu Changsheng Swansheng Food Co., Ltd.	Guarantee payment	87,500.00	87,500.00	100.00	Note 2
Sichuan Anhao Precision Machinery Co., Ltd.	The rent	77,895.00	77,895.00	100.00	Unable to contact the debtor
Chengdu Silu Investment Management Co., Ltd.	Property management fee	67,902.00	67,902.00	100.00	Expected irrecoverable
Chengdu Yangya Sports Culture Development Co., Ltd.	Property management fee	57,354.00	57,354.00	100.00	Expected irrecoverable
Aidishi Sichuan Hotel Management Co., Ltd.	Property management fee	51,786.00	51,786.00	100.00	Expected irrecoverable
Chengdu Shunxin Fast Food Co., Ltd.	The rent	12,160.00	12,160.00	100.00	Unable to contact the debtor
Total		25,117,337.15	20,753,860.90		

Note 1: The amount listed was accounts receivable from government departments and related parties, and it was not expected that bad debts will occur, so there was no necessity of bad debt provision.

Note 2: CDHTI Guarantee Co. had paid off loans for those companies, and their mortgaged assets were insufficient to payback. Therefore, we made full bad debt provision on the project's guarantee fee receivable in accordance of prudence principle.

Note 3: According to (2015) No.5 paper of People's Court of Chengdu Wuhou District, Tianfu Software Park Co. withdrew its lawsuit against Chengdu Hanxintong Technology Co., Ltd., the amount is expected irrecoverable, we made full bad debt provision on it.

Note 4: According to (2014) No.479 paper of People's Court of Chengdu Hi-tech Zone, Chengdu Jinzijing Communication Technology Co., Ltd. had no property to execute, so we made full bad debt provision on it.

(2) Bad debt provision withdrew, reversed or recovered in the current period.

The withdrawal amount of the bad debt provision was of RMB 7,507,621.14 yuan; the amount of the reversed or collected part was of RMB 861,374.18 yuan.

(3) There was no accounts receivable written off in the current period.

(4) Top 5 of the closing balance of accounts receivable collected according to the arrears party

Company name	June 30, 2018.		
	Closing balance	Proportion (%)	Bad debt provision
Bureau of finance and financial services of Chengdu Hi-Tech Industrial Development Zone	431,672,093.35	33.46	
Hongfujin Precision Electronics (Chengdu) Co., Ltd.	44,928,467.75	3.48	2,246,423.39
Construction client 1	37,404,062.83	2.90	731,351.63
Construction client 2	33,238,601.65	2.58	
Construction client 3	29,031,573.24	2.25	203,414.91
Total	576,274,798.82	44.67	3,181,189.93

3. Prepayment

(1) List by aging analysis

Aging	June 30, 2018.		December 31, 2017.	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	40,668,646.40	92.97	26,978,742.39	85.04
1 to 2 years	552,335.05	1.26	731,898.23	2.31
2 to 3 years	389,449.89	0.89	1,798,492.42	5.67
Over 3 years	2,133,685.73	4.88	2,217,028.08	6.99
Total	43,744,117.07	100.00	31,726,161.12	100.00

(2) Top 5 of the prepayments were as follows:

Company name	June 30, 2018.		
	Amount	Aging	Proportion (%)

State Grid Sichuan Electric Power Company	10,209,092.57	Within 1 year	23.34
Chengdu Power Supply Company			
Truking Technology Limited	4,912,649.57	Within 1 year	11.23
State Grid Sichuan Electric Power Company			
Chengdu Hi-tech Zone Power Supply Company	2,259,589.56	Within 1 year	5.17
Chengdu Gas Group Corporation Ltd.	1,770,178.61	Within 1 year	4.05
Shanghai Shuangyi Environment Technology Co., Ltd.	1,382,604.40	Within 1 year	3.16
Total	20,534,114.71		46.94

4. Interests Receivable

Item	June 30, 2018.	December 31, 2017.
Interest of fixed deposits	4,141,111.11	4,756,832.68
Total	4,141,111.11	4,756,832.68

5. Dividend Receivable

Company name	June 30, 2018.	December 31, 2017.
Chengdu Venture Capital Co., Ltd.	4,500,000.00	
Chengdu Di'Ao Pharmaceutical Group Co., Ltd.	3,279,548.73	
Sichuan Hongxin Equity Investment Fund Management Co., Ltd.	3,778,222.55	
China Railway Fiduciary Co., Ltd	2,298,692.92	
China Electronics Technology Group Aviation Electronics Co., Ltd.	16,769.33	
Total	13,873,233.53	

6. Other Accounts Receivable

(1) Other accounts receivable classified by category

Category	June 30, 2018.				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	2,434,344,906.36	63.04	6,491,592.46	0.27	2,427,853,313.90
Other accounts receivable withdrawal of bad debt provision by credit risks characteristics	1,414,197,040.62	36.62	37,844,578.73	2.68	1,376,352,461.89
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	13,194,567.46	0.34	2,805,113.91	21.26	10,389,453.55
Total	3,861,736,514.44	100.00	47,141,285.10		3,814,595,229.34

Continued:

Category	December 31, 2017.				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	2,645,685,093.33	69.48	6,491,592.46	0.25	2,639,193,500.87
Other accounts receivable withdrawal of bad debt provision by credit risks characteristics	1,151,243,632.79	30.24	34,572,447.26	3.00	1,116,671,185.53
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	10,689,913.89	0.28	2,907,483.31	27.20	7,782,430.58
Total	3,807,618,640.01	100.00	43,971,523.03		3,763,647,116.98

A. Other accounts receivable with significant single amount for which bad debt provision separately accrued

Creditor	Debtor	June 30, 2018.			Withdrawal reason
		Other accounts receivable	Bad debt provision	Withdrawal proportion (%)	
CDHTI Guarantee Co.	Compensatory receivable	1,029,508,587.10			Note 1
The Company	Bureau of finance and financial services of Chengdu Hi-Tech Industrial Development Zone	422,052,884.68			Note 3
The Company	Chengdu Financial City Investment&Development Co., Ltd	353,520,000.00			Related parties
CDHTI Construction Co.	Bureau of finance and financial services of Chengdu Hi-Tech Industrial Development Zone	256,625,565.19			Note 3
CDHTI Real Estate Co.	Chengdu Public Resource Transaction Service Center	191,556,116.00			Note 3
The Company	Chengdu Hi-Tech Zone Housing Security Center	35,371,479.93			Note 3
CDHTI Construction Co.	Chengdu Hi-Tech Zone Western Management Office	28,069,254.43			Note 3
CDHTI Construction Co.	Chengdu Hi-Tech Zone Western Management Committee	20,092,875.28			Note 3
CDHTI Construction Co.	Motorola	16,536,957.53			Note 3
CDHTI Construction Co.	Pixian foundation office	13,843,064.29			Note 3

Creditor	Debtor	June 30, 2018.			Withdrawal reason
		Other accounts receivable	Bad debt provision	Withdrawal proportion (%)	
CDHTI International Trade Co.	State Taxation Bureau of Chengdu High-Tech Industrial Development Zone	12,090,205.22			Note 3
Chengxin Co.	Chengdu Industrial Investment Group Co., Ltd	10,810,868.12			Related parties
CDHTI Winpower Co.	Chengdu Ruixun Precise Electronic Materials Technology Co., Ltd	10,213,313.64			Note 4
CDHTI Winpower Co.	Sichuan Panli Paper Co., Ltd	5,997,963.58			Note 5
CDHTI Winpower Co.	Dongjiagang Mechanical&Electrical Equipment Co., Ltd	5,104,709.85			Note 4
Chengxin Co.	Staff reserve	3,479,479.46	3,479,479.46	100.00	Expected irrecoverable
CDHTI Real Estate Co.	Chengdu Hi-Tech Zone Management Committee	3,464,739.58			Note 3
The Company	Chengdu Ingel Company	3,012,113.00	3,012,113.00	100.00	Expected irrecoverable
CDHTI Asset Management Co.	Southern District Export Processing Zone Management Office	2,684,845.75			Note 3
CDHTI Construction Co.	Chengdu Gaoxin Power Supply Bureau	2,544,800.00			Note 3
CDHTI Real Estate Co.	Bureau of finance and financial services of Chengdu Hi-Tech Industrial Development Zone	2,125,091.96			Note 3
The Company	Chengdu Hi-Tech Industrial Development Zone Planning Land Construction Bureau	2,073,988.76			Note 3
The Company	Chengdu Hi-Tech Zone Western Management Committee	1,270,902.77			Note 3
CDHTI Construction Co.	Chengdu Hi-Tech Industrial Development Zone Zhonghe Street Office	1,237,672.92			Note 3
CDHTI Construction Co.	Chengdu Electric Bureau	1,057,427.32			Note 3
Total		2,434,344,906.36	6,491,592.46		

Note 1: Due to the fact that The Group's compensatory receivables have been evaluated on case-by-case estimation method and the corresponding guarantee compensation reserve has been made, no provision for bad debts should be made again. For details, please refer to the Note "V.29".

Note 2: The payment of Chengdu Financial City Investment&Development Co., Ltd. was the capital increase, as of June 30, 2018, Chengdu Financial City Investment&Development Co., Ltd.

has not yet completed the corresponding capital increase program and the business registration, and its paid-in capital did not change. The amount temporarily disclosed in other accounts receivable, so we made no bad debt provision on it.

Note 3: The amount listed were other accounts receivable from government departments and related parties, and it is not expected that bad debt will occur, so there was no necessity of bad debt provision.

Note 4: Those listed company failed to pay back the platform loans of CDHTI Winpower Co. CDHTI Guarantee Co. guarantee for them, and they have been evaluated on case-by-case estimation method and the corresponding guarantee compensation reserve has been made, so there was no necessity of bad debt provision.

Note 5: The listed company failed to payback the platform loan of CDHTI Winpower Co. Yanghua returned the loan of RMB 6 million without the written document, the amount temporarily disclosed in other accounts receivable, so we made no bad debt provision on it.

B. Among these groups, other accounts receivable adopting aging analysis method to withdraw bad debt provision

Aging	June 30, 2018.		
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)
Within 1 year	6,931,447.52	69,314.48	1.00
1 to 2 years	292,835.23	29,283.52	10.00
2 to 3 years	1,007,294.31	251,823.59	25.00
Over 3 years	4,743,534.45	2,371,767.24	50.00
Total	12,975,111.51	2,722,188.83	

C. Among these groups, other accounts receivable adopting balance percentage method to withdraw bad debt provision

Item	June 30, 2018.		
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)
Balance percentage method	702,447,796.92	35,122,389.90	5.00
Total	702,447,796.92	35,122,389.90	

D. Among these groups, other accounts receivable adopting other method to withdraw bad debt provision

Item	June 30, 2018.		
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)
Futures contract margin	629,980,985.86		
Pledge margin	2,682,744.00		
Clearing margin	10,057,561.00		
Bid bond paid according to project bidding documents and project contracts	3,985,520.00		
Performance bond	48,259,603.73		
Migrant worker's salary margin	2,190,000.00		

Item	June 30, 2018.		
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)
Accounts receivable of government departments	1,617,717.60		
Total	698,774,132.19		

E. Other accounts receivable with insignificant single amount for which bad debt provision separately accrued

Company name	Nature	Book balance	Bad debt provision	Withdrawal proportion (%)	Withdrawal reason
Government departments	intercourse funds	9,316,797.38			Note 1
Companies in Export Processing Zone and other park zone	In lieu of utility bills etc.	604,410.85	604,410.85	100.00	Expected irrecoverable
Wangzhimin	Investment clearing payment	492,134.70	492,134.70	100.00	Expected irrecoverable
Staff reserves	Staff reserves	408,126.30			Note 1
Hong Kong hongzheng company	intercourse funds	358,022.33	358,022.33	100.00	Not confirmed by the debtor
Chengdu Dadong Network Safe Technology Co., Ltd.	In lieu of payment	294,803.46	294,803.46	100.00	Unable to pay bank
Other related parties	intercourse funds	261,515.11			Note 1
Pixian Sitong Garment Factory	intercourse funds	243,026.38	243,026.38	100.00	expected irrecoverable
Chengdu Gaoxin Power Supply Bureau	intercourse funds	157,300.00	157,300.00	100.00	Expected irrecoverable
Mianyang Oriental Education Investment Co., Ltd.	Loan	140,000.00	140,000.00	100.00	Not confirmed by the debtor
In lieu of interests	In lieu of interests	537,353.00	134,338.24	25.00	Note 2
In lieu of utility bills	In lieu of utility bills	148,295.56	148,295.56	100.00	Expected irrecoverable
Others	intercourse funds	232,782.39	232,782.39	100.00	Expected irrecoverable
Total		13,194,567.46	2,805,113.91		

Note 1: The amount listed were other accounts receivable from government departments, staffs and related parties, and it is not expected that bad debt will occur, so there was no necessity of bad debt provision.

Note 2: CDHTI Guarantee Co. had paid off loans' interest for those companies, and we made bad debt provision adopting the five-class classification method.

(2) Bad debt provision withdrew, reversed or recovered in the current period.

The withdrawal amount of the bad debt provision was of RMB 4,212,095.34; the amount of the reversed or collected part was of RMB 1,042,333.27.

(3) There was no other accounts receivable written off in the current period.

(4) Top 5 of the prepayments were as follows:

Company name	Nature	Book balance	Aging	Proportion (%)	Bad debt provision
Bureau of finance and financial services of Chengdu Hi-Tech Industrial Development Zone	Government departments payments	661,466,771.49	Within 3 years, over 3 years	17.13	
Futures contract margin	margin	629,980,985.86	Within 1 year	16.31	
Chengdu hi-tech Financial Holding Group Co., Ltd.	equity transfer fund	494,640,590.90	Within 1 year	12.81	24,732,029.55
Chengdu Financial City Investment&Development Co., Ltd.	Investment section	353,520,000.00	1 to 2 years	9.15	
Chengdu Hi-Tech Industrial Development Zone Planning Land Construction Bureau	Government departments	191,556,116.00	Within 1 year	4.96	
Total		2,331,164,464.25		60.37	24,732,029.55

7. Inventory

(1) Category of inventory

Item	June 30, 2018.		
	Book balance	Falling price reserves	Book value
Raw materials	7,598,228.96		7,598,228.96
Finished goods	13,077,425.19		13,077,425.19
Goods sold			
Revolving Materials	455,131.84		455,131.84
Development cost	6,995,375,590.19	75,389,258.71	6,919,986,331.48
Including: Self development cost	6,995,375,590.19	75,389,258.71	6,919,986,331.48
Agent-construction development cost (note)			
Self development product	3,104,748,477.12	8,404,166.75	3,096,344,310.37
Agent-construction development product			

Item	June 30, 2018.		
	Book balance	Falling price reserves	Book value
Engineering construction	215,383,778.02		215,383,778.02
Completed unliquidated assets formed under construction contracts	122,727,750.50		122,727,750.50
Goods in process	572,805.02		572,805.02
Total	10,459,939,186.84	83,793,425.46	10,376,145,761.38

Continued:

Item	December 31, 2017.		
	Book balance	Falling price reserves	Book value
Raw materials	6,351,674.98		6,351,674.98
Finished goods	4,382,821.85		4,382,821.85
Goods sold			
Revolving Materials	457,724.53		457,724.53
Development cost	4,422,114,853.36	75,389,258.71	4,346,725,594.65
Including: Self development cost	4,422,114,853.36	75,389,258.71	4,346,725,594.65
Agent-construction development cost (note)			
Self development product	3,249,281,447.36	9,686,693.25	3,239,594,754.11
Agent-construction development product			
Engineering construction	119,092,558.90		119,092,558.90
Completed unliquidated assets formed under construction contracts	199,920,753.39		199,920,753.39
Goods in process	145,238.82		145,238.82
Total	8,001,747,073.19	85,075,951.96	7,916,671,121.23

(2) The details of self development cost were as follows:

Item	June 30, 2018.		December 31, 2017.	
	Book balance	Falling price reserves	Book balance	Falling price reserves
Chengdu Hi-tech Zone (Xinchuan area) rental housing construction project	1,535,543,821.74			

Item	June 30, 2018.		December 31, 2017.	
	Book balance	Falling price reserves	Book balance	Falling price reserves
New generation of information technology incubation park	1,502,798,071.60		1,375,623,064.29	
Tianfu ecological headquarters park	974,084,145.81		959,667,748.35	
Biomedical innovation incubation park	933,858,534.09		826,384,549.10	
Chengdu Hi-tech Zone (Dayuan area) rental housing construction project	670,785,098.59			
GX2017-07 plot (071)	638,673,430.08		657,829,429.72	
Dayuan commercial core area	448,588,270.11		371,667,595.33	
Ya 'an hot spring project (note 1)	107,567,308.47	40,045,108.47	107,567,308.47	40,045,108.47
Mianyang western property	64,942,474.77		58,036,115.20	
The decoration project of ICON hotel	52,258,763.62			
Tianfu software park G block (note 2)	17,440,358.72	17,440,358.72	17,440,358.72	17,440,358.72
Staff apartment in Cooperation town	11,489,198.21		11,489,198.21	
Foreign residential 2 nd period (note 2)	9,962,178.20	9,962,178.20	9,962,178.20	9,962,178.20
Tianfu Life Science Park			6,100,410.09	
Zhonghe Greenland development project (note 2)	5,057,200.00	5,057,200.00	5,057,200.00	5,057,200.00
Chengdu hi-tech intelligent manufacturing innovation center	2,908,935.70		2,908,935.70	
Hi-tech zone limited-price commercial housing project (note 2)	2,884,413.32	2,884,413.32	2,884,413.32	2,884,413.32
Hi-tech zone zhonghe town Dragon-lantern hill soil-eliminating project	2,751,173.56		2,751,173.56	
Western moto research&development center	2,636,126.45		2,636,126.45	
Others	11,146,087.15		4,109,048.65	
Total	6,995,375,590.19	75,389,258.71	4,422,114,853.36	75,389,258.71

(3) The details of self development product were as follows:

Item	December 31, 2017.	Increase	Decrease	June 30, 2018.
ICON cloud project	1,607,144,174.84			1,607,144,174.84
ICON genesis plaza	292,819,229.99	1,633,068.45	6,246,821.37	288,205,477.07

Item	December 31, 2017	Increase	Decrease	June 30, 2018.
New century west road project	188,811,548.52		10,781,968.73	178,029,579.79
The building 1-6 and garage of centralized commercial of the staff apartment 3rd period in western district	183,705,614.01		2,855,161.48	180,850,452.53
The centralized commerce of xinyi garden in hi-tech zone zhonghe district	180,420,405.35			180,420,405.35
ICON shangjun	177,290,873.84		5,241,976.26	172,048,897.58
The centralized commerce of xinyi huating in hi-tech zone zhonghe district	119,573,662.87			119,573,662.87
Tianfu software park project	98,740,618.69			98,740,618.69
ICON yingjun	92,876,317.00		949,495.24	91,926,821.76
The bottom commerce of longteng yuan (huilong 4 th period) rehousing project in zhonghe district	75,077,383.38			75,077,383.38
The centralized commerce of yixin jiayuan in hi-tech zone zhonghe district	66,336,576.07		66,336,576.07	
Tiexiang temple riverfront project	56,467,483.17		56,467,483.17	
The centralized commerce of longxiang jiayuan 3 rd period in zhonghe district	50,510,715.02			50,510,715.02
The centralized commercial building 1-4 of dayuan shuanghe 3rd period	19,666,659.35			19,666,659.35
The centralized commercial building 1-5 of hinghe spring	17,744,379.80			17,744,379.80
The centralized commercial supporting project of shunjiang community	11,474,818.98			11,474,818.98
Brilliant lingshang 2nd period project	5,762,384.71		3,386,966.46	2,375,418.25
Farmer rehousing and commerce project	4,479,085.22			4,479,085.22
Tianfu Life Science Park		6,100,410.09		6,100,410.09
ICON hi-tech international plaza building B and building D	379,516.55			379,516.55
Total	3,249,281,447.36	7,733,478.54	152,266,448.78	3,104,748,477.12

(4) Falling price of reserves of inventory

Item	December 31, 2017.	Increase		Decrease		June 30, 2018.
		Withdraw	Others	Reverse or written-off	Others	
Development cost	75,389,258.71					75,389,258.71
Including: Self development cost	75,389,258.71					75,389,258.71
Development product (note)	9,686,693.25			1,282,526.50		8,404,166.75
Total	85,075,951.96			1,282,526.50		83,793,425.46

(5) Description about capitalized amount of borrowing costs contained in closing balance of self development cost

Item	June 30, 2018.	December 31, 2017.
New generation of information technology incubation park	132,536,465.82	98,734,524.55
Biomedical innovation incubation park	79,154,777.39	56,675,063.93
Tianfu ecological headquarters park	77,459,702.16	77,459,702.16
Dayuan commercial core area	18,786,521.60	
The decoration project of ICON hotel	16,648,530.52	
Others	2,660,828.64	2,660,828.64
Total	327,246,826.13	235,530,119.28

(6) The completed unsettlement assets formed by the construction contract

Item	June 30, 2018.
Cumulative costs incurred	1,635,396,151.52
Cumulative confirmed gross profit	77,826,280.77
Less: Expected losses	
Already settled amount	1,590,494,681.79
The completed unsettlement assets formed by the construction contract	122,727,750.50

(7) Please refer to Note V.21 for the inventory of limited ownership.

8. Non-current Assets Coming Due within 1 Year

Item	June 30, 2018.	December 31, 2017.
Entrust loans coming due within 1 year	510,000,000.00	445,000,000.00
Total	510,000,000.00	445,000,000.00

9. Other Current Assets

Item	June 30, 2018.	December 31, 2017.
Financial products	77,500,000.00	100,000,000.00
Refundable deposits (note 1)	38,828,619.48	68,031,779.72
Provisional tax (note 2)	48,721,600.09	39,102,403.77

Item	June 30, 2018.	December 31, 2017.
Deductible VAT	388,605,806.48	49,771,223.22
Debt-expiated assets (note 3)	29,404,462.95	18,814,771.15
Others (note 4)	19,560,021.49	25,468,775.50
Total	602,620,510.49	301,188,953.36

Note 1: Refundable deposits were the guarantee margins depositing in the cooperative bank of CDHTI Guarantee Co.

Note 2: Provisional tax was the prepayment of taxes and fees corresponding to the prepayment of real estate.

Note 3: Debt-expiated assets were finished building materials which were awarded to CDHTI Microfinance Co. by the court. As of the balance sheet date, CDHTI Microfinance Co. has not disposed of the assets, and the accumulated provision for impairment was of RMB 1,635,780.00 yuan.

Note 4: Others include the fixed-term deposits of RMB 18 million and its interest of Hi-Tech Development Co. in Chengdu kehua road branch of China Merchants Bank, which was frozen because of guaranteeing for Chengdu Juyou Network Co., Ltd. and was deducted by Chengdu kehua road branch of China Merchants Bank, the amount was of RMB 19,560,021.49 yuan.

10. Loans and Payments on Behalf

Item	June 30, 2018.		December 31, 2017.	
	Loan balance	Loss reserves	Loan balance	Loss reserves
Pass	141,705,000.00	1,417,050.00	88,410,000.00	884,100.00
Special mention	25,784,650.00	515,693.00	33,276,774.39	665,535.49
Sub standard	67,422,400.56	16,855,600.14	108,922,400.56	27,230,600.14
Doubtful	15,000,000.00	7,500,000.00	14,319,646.48	7,159,823.24
Loss	23,842,759.98	23,842,759.98	17,523,113.50	17,523,113.50
Total	273,754,810.54	50,131,103.12	262,451,934.93	53,463,172.37

Note: The above loans were loans made to enterprises and individuals by CDHTI Microfinance Co.

11. Available-for-sale Financial Assets

(1) Available-for-sale financial assets

Item	June 30, 2018.		
	Book balance	Provision for impairment	Book value
Available-for-sale equity instruments	793,099,689.01	6,700,943.47	786,398,745.54
- At fair value	54,069,378.19		54,069,378.19
- At cost	739,030,310.82	6,700,943.47	732,329,367.35
Available-for-sale mixed instruments	10,000,000.00		10,000,000.00

Item	June 30, 2018.		
	Book balance	Provision for impairment	Book value
- At cost	10,000,000.00		10,000,000.00
Total	803,099,689.01	6,700,943.47	796,398,745.54

Continued:

Item	December 31, 2017.		
	Book balance	Provision for impairment	Book value
Available-for-sale equity instruments	664,692,790.04	6,700,943.47	657,991,846.57
- At fair value	41,372,259.22		41,372,259.22
- At cost	623,320,530.82	6,700,943.47	616,619,587.35
Available-for-sale mixed instruments	10,000,000.00		10,000,000.00
- At cost	10,000,000.00		10,000,000.00
Total	674,692,790.04	6,700,943.47	667,991,846.57

(2) Available-for-sale financial assets at fair value:

Investee	Cost value	changes recognised in other comprehensive income	Fair value	Percentage of shareholding in investees (%)
Others	54,100,000.00	-30,621.81	54,069,378.19	
Total	54,100,000.00	-30,621.81	54,069,378.19	

(3) Available-for-sale equity instruments at cost value at the end of the period:

Investee	Percent age of shareholding (%)	June 30, 2018.			
		Opening balance	Increase	Decrease	Closing balance
Tianfu (Sichuan) Credit Enhancement Co., Ltd.	3.75	150,000,000.00			150,000,000.00
China Electronics Technology Group Aviation Electronics Co., Ltd.	3.74	93,200,000.00			93,200,000.00
Chengdu Jinjiang Green Road Construction Investment Group Co., Ltd.	2.6	65,000,000.00			65,000,000.00

Investee	Percent age of shareho lding (%)	June 30, 2018.			
		Opening balance	Increase	Decrease	Closing balance
Chengdu Qingtonghui Equity Investment Fund Partnership (Limited Partnership)	14.29	50,000,000.00	50,000,000.00		100,000,000.00
Chengdu Di'ao Pharmaceutical Group Co., Ltd.	6.00	43,680,000.00			43,680,000.00
Chengdu Cable Television Network Investment Co., Ltd.	0.44	1,262,918.55			1,262,918.55
Chengdu Air Space Vehicle Co., Ltd.	8.66	20,000,000.00			20,000,000.00
Chengdu Venture Capital Co., Ltd.	5.00	30,000,000.00			30,000,000.00
China Railway Fiduciary Co., Ltd.	0.69	13,256,274.27			13,256,274.27
Chengdu Biotechnology Co., Ltd.	3.25	3,145,000.00			3,145,000.00
Chengdu Push Mieda Culture Communication Co., Ltd.	7.85	4,400,000.00			4,400,000.00
Chengdu Bosyn Technology Co., Ltd.	4.00	2,000,000.00			2,000,000.00
Chengdu Venture Accelerator Investment Co., Ltd.	7.9	4,345,000.00			4,345,000.00
Chengdu Powerview Science And Technology Co., Ltd.	1.72	1,000,000.00			1,000,000.00
Chengdu Duojichang New Material Co., Ltd.	6.11	5,000,000.00			5,000,000.00
Chengdu Chimagen Biosciences Co., Ltd.	13.34	8,000,000.00			8,000,000.00
Chengdu Guangda New Network Technology Co., Ltd.	0.86	2,271,960.00			2,271,960.00
Chengdu Guokehaibo Information Technology Co., Ltd.	2.88	4,193,600.00			4,193,600.00
Chengdu Langrui Medical Technology Co., Ltd.	1.89	1,000,000.00			1,000,000.00
Chengdu Mobi Technology Co., Ltd.	6.00		12,000,000.00		12,000,000.00
China Wiserv Technologies Co., Ltd.	0.33	1,000,000.00			1,000,000.00
Chengdu Eight Hour Sleep Technology Co., Ltd.	3.75	17,500,000.00	26,713,200.00		44,213,200.00
Chengdu Ruixin Technology Co., Ltd.	3.48	8,000,000.00			8,000,000.00
Chengdu Promising-Chip Electronic Co., Ltd.	24.71	7,500,000.00			7,500,000.00
Chengdu Tape Technology Development Co., Ltd.	5.45	3,000,000.00			3,000,000.00
Chengdu Microcore Technology Co., Ltd.	5.60	3,000,000.00			3,000,000.00
Chengdu Wenwu Information Technology Co., Ltd.	3.85	1,000,000.00			1,000,000.00

Investee	Percent age of shareho lding (%)	June 30, 2018.			
		Opening balance	Increase	Decrease	Closing balance
Chengdu Wattsine Electronic Technology Co., Ltd.	10.00	4,000,000.00			4,000,000.00
Chengdu Xilingyuan Pharmaceutical Co., Ltd.	5.07	3,000,000.00			3,000,000.00
Chengdu Xingyu Energy-Saving Technology Co., Ltd.	4.00	4,000,000.00			4,000,000.00
Chengdu Yibei Technology Co., Ltd.	8.70	2,000,000.00			2,000,000.00
Chengdu Internet Technology Co., Ltd.	1.60	8,000,000.00			8,000,000.00
Chengdu Payexpress New Information Technology Service Co., Ltd.	1.76	2,550,000.00			2,550,000.00
Chengdu Zhongke Dacu Software Co., Ltd.	3.49	15,000,000.00			15,000,000.00
Chengdu Androidmov Technology Co., Ltd.	2.13	2,614,100.00	26,996,580.00		29,610,680.00
Sichuan Fornew Technology Co., Ltd.	9.17	7,800,000.00			7,800,000.00
Sichuan Sunfor Lighting Co., Ltd.	0.66	3,952,178.00			3,952,178.00
Sichuan Xingdun Technology Co., Ltd.	2.95	3,700,000.00			3,700,000.00
Sichuan Zhuoxin Biological Material Research Co., Ltd.	21.2	5,004,500.00			5,004,500.00
Sichuan Joyou Digital Technology Development Co., Ltd.	2.36	11,700,000.00			11,700,000.00
Zycoo Co., Ltd.	6.25	2,000,000.00			2,000,000.00
Chengdu Public Bonded Warehouse Co., Ltd.	5.00	100,000.00			100,000.00
Diao Group Chengdu Pharmaceutical Stock Co., Ltd.	1.55	3,795,000.00			3,795,000.00
Sichuan Hoist Group Co., Ltd.	2.00	1,050,000.00			1,050,000.00
Chengdu Zhonghai Jingbeite Construction Engineering Co., Ltd.	1.88	300,000.00			300,000.00
Total		623,320,530.82	115,709,780.00		739,030,310.82

Continued:

Investee	Provision for impairment				Cash bonus
	Opening balance	Increase	Decrease	Closing balance	
China Electronics Technology Group Aviation					16,769.33

Electronics Co., Ltd.					
Chengdu Di'ao Pharmaceutical Group Co., Ltd.					3,279,598.73
Chengdu Promising-Chip Electronic Co., Ltd.	2,250,000.00			2,250,000.00	
Sichuan Zhuoxin Biological Material Research Co., Ltd.	4,150,943.47			4,150,943.47	
Chengdu Zhonghni Jingbeite Construction Engineering Co., Ltd.	300,000.00			300,000.00	
Chengdu Venture Capital Co., Ltd.					4,500,000.00
China Railway Fiduciary Co., Ltd.					2,298,692.92
Total	6,700,943.47			6,700,943.47	10,095,010.98

(4) Available-for-sale mixed instruments at cost value at the end of the period:

investee	The type of mixed instruments	June 30, 2018.			
		Opening balance	Increase	Decrease	Closing balance
Connaught Biotech (Chengdu) Co., Ltd.	convertible bond	5,000,000.00			5,000,000.00
Chengdu Zhongkun Derun Technology Co., Ltd.	convertible bond	5,000,000.00			5,000,000.00
Total		10,000,000.00			10,000,000.00

(5) Provision for impairment of available-for-sale financial assets

Item	June 30, 2018.
Provision for impairment at the beginning of the period	6,700,943.47
Increase	
Decrease	
Provision for impairment at the end of the period	6,700,943.47

(6) There was no limited ownership of available-for-sale financial assets

12. Long-term Accounts Receivable

Item	June 30, 2018.		
	Book balance	Provision for impairment	Book value
Others	43,912,609.60		43,912,609.60
Total	43,912,609.60		43,912,609.60

Continued:

Item	December 31, 2017.		
	Book balance	Provision for impairment	Book value
Others	43,912,609.60		43,912,609.60
Total	43,912,609.60		43,912,609.60

Note: The listed was construction payment receivable from Panzhihua City Flower City Investment Co., Ltd. The accounts receivable was caused because of Chengdu Beite Construction and Installation Engineering Co., Ltd, a subsidiary of Hi-Tech Development Co., engaging in public infrastructure construction transfer way construction business.

13. Long-term Equity Investments

(1) Long-term equity investments:

Investee	Percentage of shareholding (%)	June 30, 2018.	December 31, 2017.
1. Investments in joint ventures		1,898,966,686.82	1,639,266,173.65
Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd.	50.00	1,634,535,005.39	1,442,025,889.45
Chengdu Hi-Tech Zhigu Human Resources Industrial Park Management Co., Ltd.	50.00	879,113.20	586,113.20
Chengdu Gaoxin Industrial Investment Co., Ltd.	60.00	263,552,568.23	196,654,171.00
2. Investments in associates		2,186,670,608.82	2,153,322,925.93
Chengdu Financial City Investment&Development Co., Ltd. (note 1)	27.48	1,107,140,395.86	1,107,101,095.86
Haiguang Information Technology Co., Ltd.	22.77	394,146,644.94	394,225,018.90
Chengdu Coe Technology Co., Ltd.	30.00	259,365,854.56	259,657,515.36
Sichuan CCO Display Technology Co., Ltd.	39.74	105,244,456.24	105,234,118.34
Chengdu Bonded Logistics Investment Co., Ltd.	45.71	97,703,873.64	94,258,473.64
Chengdu Hi-Tech Jinhong Technology Petty Loan Co., Ltd.	12.50	48,358,713.82	47,587,542.18
Chengdu Luwei Photoelectric Co., Ltd.	29.40	71,584,202.23	46,594,384.72
Chengdu Yingchuang Power Venture Investment Co., Ltd. (note 1)	19.80	20,046,597.74	21,673,729.72
Chengdu Yingchuang Xingke Venture Investment Partnership (Limited Partnership) (note 1)	19.00	20,730,792.81	20,855,522.23
Chengdu Yingchuang dehong Venture Investment Partnership (Limited Partnership) (note 1)	15.00	17,358,701.59	14,765,778.58
Chengdu Yingchuang taifu Venture Investment Partnership (Limited Partnership) (note 1)	14.70	14,609,800.44	10,071,647.93

Investee	Percentage of shareholding (%)	June 30, 2018.	December 31, 2017.
Partnership (note 1)			
Chengdu Xinxing Incubator Investment Co., Ltd.	40.00	11,364,919.77	11,364,919.77
Chengdu Yingchuang Power Investment Management Co., Ltd. (note 1)	13.34	3,169,250.09	3,173,139.78
Sichuan Hongxin Equity Investment Fund Management Co., Ltd.	20.00	7,638,881.26	7,628,303.81
Sichuan Rongchuang Zhuye Investment Development Co., Ltd. (note 1)	0.99	2,030,141.98	2,030,014.56
Sichuan Innovation Development Investment Management Co., Ltd.	20.00	2,663,270.28	3,204,702.76
Chengdu Yingtai Investment Management Co., Ltd.	25.00	1,214,625.76	1,214,625.76
Sichuan Gongchuang Enterprise Management Service Co., Ltd.	40.00	671,909.29	678,856.18
Chengdu Yingchuang Xingke Equity Investment Fund Management Co., Ltd. (note 1)	18.83	370,420.70	761,086.37
Deyang Yingchuang Sunshine Angel Venture Investment Management Co., Ltd.	40.00	592,082.56	592,082.56
Chengdu Yingchuang Zhike Equity Investment Fund Management Partnership (Limited Partnership)	20.00	393,436.75	399,944.97
Chengdu Yingchuang Dehong Equity Investment Fund Management Co., Ltd. (note 1)	8.00	167,422.28	174,688.25
Chengdu Yingchuang Detai Equity Investment Fund Management Co., Ltd. (note 1)	7.00	104,214.23	75,733.70
Total		4,085,637,295.64	3,792,589,099.58

Note: None of the investments listed in the above table were made impairment provision.

Continued:

Investee	Increase/Decrease				
	Additional investment	Withdraw investment	Gains and losses recognised under equity method	Change in other equity	Cash bonus or profits announced to issue
1. Investments in joint ventures	94,500,000.00		165,200,513.17		
Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd.			192,509,115.94		

Investee	Increase/Decrease				
	Additional investment	Withdraw investment	Gains and losses recognised under equity method	Change in other equity	Cash bonus or profits announced to issue
Chengdu Hi-Tech Zhigu Human Resources Industrial Park Management Co., Ltd.			293,000.00		
Chengdu Gaoxin Industrial Investment Co., Ltd.	94,500,000.00		-27,601,602.77		
2. Investments in associates	29,560,000.00		10,405,752.34	-36,944.42	6,581,125.03
Chengdu Financial City Investment&Development Co., Ltd.			39,300.00		
Haiguang Information Technology Co., Ltd.			-78,373.96		
Chengdu Coe Technology Co., Ltd.			-291,660.80		
Sichuan CCO Display Technology Co., Ltd.			47,282.32	-36,944.42	
Chengdu Bonded Logistics Investment Co., Ltd.			3,445,400.00		
Chengdu Hi-Tech Jinhong Technology Petty Loan Co., Ltd. (note 1)			771,171.64		
Chengdu Luwei Photoelectric Co., Ltd.	24,990,000.00		-182.49		
Chengdu Yingchuang Power Venture Investment Co., Ltd. (note 1)			-43,131.98		1,584,000.00
Chengdu Yingchuang Xingke Venture Investment Partnership (Limited Partnership) (note 1)			-124,729.42		
Chengdu Yingchuang dehong Venture Investment Partnership (Limited Partnership) (note 1)			2,592,923.01		
Chengdu Yingchuang taifu Venture Investment Partnership (Limited Partnership) (note 1)	4,500,000.00		38,152.51		
Chengdu Xinxing Incubator Investment Co., Ltd.					
Chengdu Yingchuang Power Investment Management Co., Ltd. (note 1)			-3,889.69		
Sichuan Hongxin Equity Investment Fund Management Co., Ltd.			3,788,800.00		3,778,222.55
Sichuan Rongchuang Zhuye Investment			127.42		

Investee	Increase/Decrease				
	Additional investment	Withdraw investment	Gains and losses recognised under equity method	Change in other equity	Cash bonus or profits announced to issue
Development Co., Ltd. (note 1)					
Sichuan Innovation Development Investment Management Co., Ltd.			508,000.00		1,049,432.48
Chengdu Yingtai Investment Management Co., Ltd.					
Sichuan Gongchuang Enterprise Management Service Co., Ltd.			-6,946.89		
Chengdu Yingchuang Xingke Equity Investment Fund Management Co., Ltd. (note 1)			-221,195.67		169,470.00
Deyang Yingchuang Sunshine Angel Venture Investment Management Co., Ltd.					
Chengdu Yingchuang Zhike Equity Investment Fund Management Partnership (Limited Partnership)			-6,508.22		
Chengdu Yingchuang Dehong Equity Investment Fund Management Co., Ltd. (note 1)			-7,265.97		
Chengdu Yingchuang Detai Equity Investment Fund Management Co., Ltd. (note 1)	70,000.00		-41,519.47		
Total	124,060,000.00		175,606,265.51	-36,944.42	6,581,125.03

Note 1: The Group had directors assigned to the aforesaid invested entity, which had great influence on them. Therefore, the equity method was adopted.

(2) There was no limited ownership of long-term equity investments.

14. Investment Real Estate

(1) Investment real estate measured as cost method

Item	December 31, 2017.	Increase	Decrease	June 30, 2018.
①Original book value	13,523,645,683.63	121,383,417.18	3,056,574.16	13,641,972,526.65
Including: Houses and building	13,523,645,683.63	121,383,417.18	3,056,574.16	13,641,972,526.65
②Accumulated depreciation	1,756,100,880.79	164,588,300.40	199,028.38	1,920,490,152.81

Item	December 31, 2017.	Increase	Decrease	June 30, 2018.
or amortisation				
Including: Houses and building	1,756,100,880.79	164,588,300.40	199,028.38	1,920,490,152.81
③ Impairment provision	9,866,234.83			9,866,234.83
Including: Houses and building	9,866,234.83			9,866,234.83
④ Book value	11,757,678,568.01			11,711,616,139.01
Including: Houses and building	11,757,678,568.01			11,711,616,139.01

(2) Please see note V.21 for the investment real estate of limited ownership

15. Fixed Assets

(1) Fixed assets

Item	December 31, 2017.	Increase	Decrease	June 30, 2018.
① Original book value	483,965,413.06	7,494,805.46	2,562,314.22	488,897,904.30
Including: Houses and building	279,240,654.36	4,163,509.60	1,066,926.11	282,337,237.85
Transportation equipment	20,601,015.13	469,181.48	339,406.00	20,730,790.61
Electronic equipment	23,441,549.97	784,174.17	756,191.00	23,469,533.14
Office equipment	23,999,367.01	897,968.38	9,585.88	24,887,749.51
General equipment	87,573,477.20	83,367.16	57,332.00	87,599,512.36
Other equipment	49,109,349.39	1,096,604.67	332,873.23	49,873,080.83
② Accumulative depreciation	218,453,016.40	13,404,896.46	2,421,138.52	229,436,774.34
Including: Houses and building	93,435,190.17	5,605,267.61	1,005,753.97	98,034,703.81
Transportation equipment	14,768,617.93	651,005.44	325,820.18	15,093,803.19
Electronic equipment	18,991,523.65	828,929.13	87,295.50	19,733,157.28
Office equipment	17,710,319.87	562,040.79	7,114.95	18,265,245.71
General equipment	34,636,294.14	4,105,593.62	55,106.38	38,686,781.38
Other equipment	38,911,070.64	1,652,059.87	940,047.54	39,623,082.97
③ Depreciation reserve				
Including: Houses and building				
Transportation equipment				
Electronic equipment				
Office equipment				
General equipment				
Other equipment				
④ Book value	265,512,396.66			259,461,129.96

Item	December 31, 2017.	Increase	Decrease	June 30, 2018.
Including: Houses and building	185,805,464.19			184,302,534.04
Transportation equipment	5,832,397.20			5,636,987.42
Electronic equipment	4,450,026.32			3,736,375.86
Office equipment	6,289,047.14			6,622,503.80
General equipment	52,937,183.06			48,912,730.98
Other equipment	10,198,278.75			10,249,997.86

(2) Please see note V.21 for the fixed assets of limited ownership

16. Construction in Progress

Item	June 30, 2018.	December 31, 2017.
Globalfoundries Project	3,809,506,975.24	1,806,814,893.21
National Software Industrial Base	79,566,923.41	79,566,923.41
Other	5,367,441.65	4,992,789.18
Total	3,894,441,340.30	1,891,374,605.80

17. Intangible Assets

(1) Intangible assets

Item	December 31, 2017.	Increase	Decrease	June 30, 2018.
① Original book value	108,587,460.47	724,425.44	536,477.17	108,775,408.74
Including: Software	18,897,867.84	724,425.44		19,622,293.28
Land-use right	67,884,613.03		536,477.17	67,348,135.86
Non-patents	1,576,179.60			1,576,179.60
Trademark right	28,800.00			28,800.00
The resource exploitation right of hot spring and well water	20,000,000.00			20,000,000.00
Shanghai property trading seat	200,000.00			200,000.00
② Accumulative amortization	40,414,700.23	1,838,066.63	187,767.06	42,064,999.80
Including: Software	12,382,829.41	846,233.92		13,229,063.33
Land-use right	21,336,404.75	791,832.73	187,767.06	21,940,470.42
Non-patents				
Trademark right	28,800.00			28,800.00
The resource exploitation right of hot spring and well water	6,466,666.07	199,999.98		6,666,666.05
Shanghai property trading seat	200,000.00			200,000.00

Item	December 31, 2017.	Increase	Decrease	June 30, 2018.
③ Depreciation reserves	1,576,179.60			1,576,179.60
Including: Software				
Land-use right				
Non-patents	1,576,179.60			1,576,179.60
Trademark right				
The resource exploitation right of hot spring and well water				
Shanghai property trading seat				
④ Book value	66,596,580.64			65,134,229.34
Including: Software	6,515,038.43			6,393,229.95
Land-use right	46,548,208.28			45,407,665.44
Non-patents				
Trademark right				
The resource exploitation right of hot spring and well water	13,533,333.93			13,333,333.95
Shanghai property trading seat				

(2) Please refer to Note V.21 for the fixed assets of limited ownership.

18. Long-term Unamortized Expenses

Item	December 31, 2017.	Increase	Amortization	Other decrease	June 30, 2018.
Office decoration	6,211,832.62	1,080,698.10	1,538,791.39		5,753,739.33
Other	1,227,244.30		58,591.68		1,168,652.62
Total	7,439,076.92	1,080,698.10	1,597,383.07		6,922,391.95

19. Deferred Income Tax Assets and Deferred Income Tax Liabilities

(1) Deferred income tax assets that had not been set-off

Item	June 30, 2018.		December 31, 2017.	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Preselling real estate	270,075,113.39	67,518,778.34	269,473,765.35	67,368,441.34
Asset impairment loss	107,891,344.89	21,349,900.33	108,949,734.24	21,602,400.90
Futures risk reserves	7,359,641.28	1,839,910.32	7,359,641.28	1,839,910.32

Item	June 30, 2018.		December 31, 2017.	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Guarantee indemnity reserve	308,055,710.33	46,208,356.55	308,055,710.33	46,208,356.55
Deductible losses	15,967,674.84	3,991,918.71	15,967,674.84	3,991,918.71
Deductible fees	5,326,860.32	1,331,715.08		
Total	714,676,345.05	142,240,579.33	709,806,526.04	141,011,027.81

(2) Deferred income tax liabilities that had not been set-off

Item	June 30, 2018.		December 31, 2017.	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Consolidated assets evaluation appreciation under the different controller (note)	128,824,547.88	32,206,136.97	128,824,553.04	32,206,138.26
Changes in fair value of available-for-sale financial assets	20,542.75	5,135.69	107,874.03	26,968.51
Total	128,845,090.63	32,211,272.66	128,932,427.07	32,233,106.77

Note: It was from the acquisition of CDHTI Long Island Co. by CDHTI Real Estate Co.

20. Other Non-current Assets

Item	June 30, 2018.	December 31, 2017.
Entrust loans (note 1)	3,870,500,000.00	4,375,500,000.00
The land of xinhua vocational middle schools (note 2)	96,070,114.80	96,070,114.80
Artwork (note 3)	57,761,473.64	57,761,473.64
Angel fund investment projects (note 4)	84,562,734.00	77,762,734.00
Trading seat	1,400,000.00	1,400,000.00
Other	6,476,058.65	6,359,947.40
Total	4,116,770,381.09	4,614,854,269.84

Note 1: The Company issues entrust loans to other enterprises through banks, the deadline of those entrust loans were more than 1 year.

Note 2: Please refer to V.21 for the restriction of ownership.

Note 3: CDHTI Real Estate Co. and Tianfu Software Park Co. purchased artworks as long-term display and collection research of Chengdu Contemporary Art Museum, and entrusted ianfu Software Park Co. to operate and manage.

Note 4: according to the paper of Chenggaoguan [2012] No. 14 and Chenggaofa [2014] No.25, CDHTI venture co. managed angel investment fund on behalf of Bureau of Finance and Financial Services of Chengdu Hi-Tech Industrial Development Zone.

21. The Assets with the Ownership or Use Right Restricted

Category	June 30, 2018.	Reason
1. For guarantee	6,023,706,403.15	
Monetary funds	2,389,446.06	
Accounts receivable	687,070.15	Note 2
Inventory	484,235,292.00	Note 1
Investment real estate	5,536,394,594.94	Note 1
2. For other reason	266,285,246.70	
Monetary funds	90,784,233.71	
Investment real estate	30,393,270.41	Note 2
Fixed assets	83,302.18	Note 2
Intangible assets	10,125,706.12	Note 2
Other current assets - Refundable deposits	38,828,619.48	Note 3
Other non-current assets	96,070,114.80	Note 4
Total	6,289,991,649.85	

Note 1: The Group set pledge and mortgage for loans by assets of RMB 6.02 billion.

Note 2: Hi-Tech Development Co. holds assets of RMB 40.60 million that was in the state of the mortgage, judicial security or seizure.

Note 3: CDHTI Guarantee Co. deposited the guarantee deposits in the loan bank in proportion according to relevant regulations, and the restricted would be canceled after expiration.

Note 4: In December of 2004, Chengdu Hi-Tech Zone Management Committee add capital by land-use right of RMB 700.1171 million. Among that, the land of Xinhua vocational middle schools not yet dealt with land-use right card, which evaluated RMB 96.0701 million, was still used by the middle school.

22. Short-term Loan

Item	June 30, 2018.	December 31, 2017.
Credit loan		500,000,000.00
Mortgage loan		
Total		500,000,000.00

23. Accounts Payable

Item	June 30, 2018.	December 31, 2017.
Within 1 year	1,782,708,469.07	2,097,158,327.91
1 to 2 years	384,096,088.07	58,530,719.99

Item	June 30, 2018.	December 31, 2017.
2 to 3 years	118,201,664.70	156,525,007.11
Over 3 years	742,919,839.19	704,226,932.96
Total	3,027,926,061.03	3,016,440,987.97

24. Advance from Customers

Item	June 30, 2018.	December 31, 2017.
Within 1 year	122,633,193.70	100,327,761.70
Over 1 year	228,746,316.62	231,587,391.28
Total	351,379,510.32	331,915,152.98

25. Payroll Payable

(1) List of payroll payable

Item	December 31, 2017.	Increase	Decrease	June 30, 2018.
Short-term salary	40,372,854.94	298,515,364.38	288,736,406.42	50,151,812.90
Post-employment benefit - defined contribution plan	16,376,692.22	16,289,019.02	16,292,206.11	16,373,505.13
Termination benefits	798,129.37	208,825.00	415,458.15	591,496.22
Total	57,547,676.53	315,013,208.40	305,444,070.68	67,116,814.25

(2) Short-term salary

Item	December 31, 2017.	Increase	Decrease	June 30, 2018.
Salary, bonus, allowance, subsidy	23,272,482.98	272,936,147.26	264,080,078.40	32,128,551.84
Employee welfare		5,325,811.14	5,325,811.14	
Social insurance	66,475.14	7,248,813.24	7,249,892.88	65,395.50
Including: Medical insurance premiums	59,349.19	5,862,376.61	5,864,453.38	57,272.42
Work-related injury insurance	3,094.34	212,478.42	212,700.55	2,872.21
Maternity insurance	4,031.61	635,234.07	634,014.81	5,250.87
Supplemental medical insurance premiums		538,724.14	538,724.14	
Housing fund	87,370.00	8,879,358.40	8,890,052.40	76,676.00
Labor union budget and employee education budget	13,923,014.03	3,984,139.34	2,933,729.60	14,973,423.77
Other	3,023,512.79	141,095.00	256,842.00	2,907,765.79
Total	40,372,854.94	298,515,364.38	288,736,406.42	50,151,812.90

(3) Defined contribution plan

Item	December 31, 2017.	Increase	Decrease	June 30, 2018.
Basic pension benefits	99,118.37	15,765,163.02	15,768,211.91	96,069.48
Unemployment insurance	22,760.98	523,856.00	523,994.20	22,622.78
Enterprise annuity	16,254,812.87			16,254,812.87
Total	16,376,692.22	16,289,019.02	16,292,206.11	16,373,505.13

26. Taxes Payable

Item	June 30, 2018.	December 31, 2017.
Value-added tax (VAT)	5,937,081.89	94,408,773.09
business tax (note 1)	-2,579,192.09	-5,704,099.55
Corporate income tax	9,358,725.71	29,669,298.05
Urban maintenance and construction tax	100,396.47	5,868,261.86
Education Surcharge	64,669.62	2,572,638.91
Local education surcharge	42,238.40	1,677,837.63
Housing property tax	7,915,781.98	10,835,687.40
Land-use tax	104,661.20	-604,262.60
Personal income tax	5,985,817.34	2,749,751.90
Stamp tax	1,350,139.43	2,434,829.75
Land value added tax (note 1)	-5,096,452.14	111,107,458.45
Contract tax	1,103,815.75	1,103,815.75
Price regulation fund (note 1)	9,033.99	12,104.81
Others (note 2)	274,656.03	265,035.21
Total	24,571,373.58	256,397,130.66

27. Interests Payable

Item	June 30, 2018.	December 31, 2017.
Interests on long-term loan	147,872.08	192,191.64
Interests on bonds payable	131,311,374.41	32,292,593.60
Others (note)	28,888,628.98	26,731,928.99
Total	160,347,875.47	59,216,714.23

Note: Others were the loan interest payable by Chengxin Co. to its shareholder, Chengdu Industrial Investment Group Co., Ltd. The principal of the loan was RMB 369,919,420.00 yuan. It has stopped calculating the interest since 2013.

28. Other Accounts Payable

Aging	June 30, 2018.	December 31, 2017.
With 1 year	2,986,233,650.37	2,902,328,548.86
1 to 2 years	885,937,388.93	578,856,230.96
2 to 3 years	105,561,240.39	181,115,335.42
Over 3 years	226,680,351.69	257,008,401.92
Total	4,204,412,631.38	3,919,308,517.16

29. Provision for Insurance Contracts

Item	June 30, 2018.	December 31, 2017.
Unearned premium reserve	1,145,420.51	1,445,664.85
Guarantee compensation reserve	652,762,812.30	652,197,962.81
Total	653,908,232.81	653,643,627.66

(1) Unearned premium reserve

A. The change of unearned premium reserve

Item	December 31, 2017.	Increase	Decrease			June 30, 2018.
			Compensate	Early release	Other	
Unearned premium reserve	1,445,664.85	488,208.50		788,452.84		1,145,420.51

Note: CDHTI Guarantee Co. set aside unearned premium reserve according to 50% of current guaranteed income. While when the guarantee period expired, CDHTI Guarantee Co. switched back the corresponding unearned premium reserve. The balance of unearned premium reserve was 50% of unexpired guarantee income.

B. The deadline for unearned premium reserve

Item	June 30, 2018.		December 31, 2017.	
	Within 1 year	Over 1 year	Within 1 year	Over 1 year
Unearned premium reserve	1,092,991.26	52,429.25	1,347,895.05	97,769.8

(2) Guarantee compensation reserve

Item	December 31, 2017.	Increase	Decrease	June 30, 2018.
Guarantee compensation reserve	652,197,962.81	564,849.49		652,762,812.30

Note: Set aside RMB 564,849.49 yuan at the rate of 1% of the balance of guarantee liability.

30. Non-Current Liabilities Coming Due within 1 Year

Item	June 30, 2018.	December 31, 2017.
Long-term loan	5,047,546,250.00	6,434,461,250.00
Including: Credit loan	2,615,380,000.00	2,622,600,000.00
Guaranteed loan	88,781,250.00	534,781,250.00
Mortgage loan	2,343,385,000.00	3,277,080,000.00
Pledge loan		
Bonds payable	3,140,000,000.00	2,140,000,000.00
Long-term payable	226,638,710.00	89,996,100.00
Total	8,414,184,960.00	8,664,457,350.00

31. Other Current Liabilities

Item	June 30, 2018.	December 31, 2017.
Pending changerover output VAT	32,658,839.18	21,721,282.26
Other	529,492,135.19	223,123,173.92
Total	562,150,974.37	244,844,456.18

Note: It was the larger part of the accumulated financial allocations of the agent-construction project than the corresponding accumulative expenses.

32. Long-term Loan

(1) Category of long-term loan

Item	June 30, 2018.	December 31, 2017.
Credit loan	6,302,060,000.00	5,805,100,000.00
Guaranteed loan	4,046,781,250.00	1,069,562,500.00
Mortgage loan	6,251,320,000.00	6,759,960,000.00
Pledge loan	51,000,000.00	
Subtotal	16,651,161,250.00	13,634,622,500.00
Less: Coming due within 1 year (note V.30)	5,047,546,250.00	6,434,461,250.00
Total	11,603,615,000.00	7,200,161,250.00

(2) Guaranteed loan

Debtor	June 30, 2018.	Including: Coming due within 1 year	Guarantor
The Company	300,000,000.00		CDHTI Real Estate Co.

Debtor	June 30, 2018.	Including: Coming due within 1 year	Guarantor
CDHTI Construction Co.	34,781,250.00	34,781,250.00	The Company
CDHTI International Trade Co.	150,000,000.00		The Company
CDHTI Asset Management Co.	1,150,000,000.00	50,000,000.00	The Company
Hi-Tech Development Co.	100,000,000.00	4,000,000.00	Chengdu Beite Construction Installation Engineering Co., Ltd.
Gexin Co.	2,312,000,000.00		The Company
Total	4,046,781,250.00	88,781,250.00	

(3) Please refer to Note V.21 for the restricted of ownership.

33. Bonds Payable

Bond name	Book value	Issue date	Period	Issue amount
12 CDHTI	700,000,000.00	2012/11/22	7 years	693,923,000.00
2017 Shuangchuang Bond 1 st Period	500,000,000.00	2017/05/09	5 years	499,413,694.69
2017 Shuangchuang Bond 2 nd Period	250,000,000.00	2017/11/08	5 years	249,731,625.00
2017 Short-term Notes 1 st Period	1,000,000,000.00	2017/11/03	270 days	999,889,500.00
2017 Short-term Notes 2 nd Period	1,000,000,000.00	2017/12/04	270 days	999,889,500.00
2017 Medium-term Notes	1,200,000,000.00	2017/12/06	5 years	1,199,270,261.66
2017 Shuangchuang Bond 3 rd Period	250,000,000.00	2018/3/22	5 years	249,705,375.00
2018 Short-term Notes 1 st Period	1,000,000,000.00	2018/4/23	1 year	999,890,042.12
Total	5,900,000,000.00			5,891,712,998.47

Continued:

Bond name	December 31, 2017.	The current issue	Withdraw interest at par	Overflow discount amortization	The current payback	June 30, 2018.
12 CDHTI	280,694,454.18		8,792,000.00	269,089.50		289,755,543.68
2017 Shuangchuang Bond 1 st Period	516,777,061.76		14,000,000.00	63,631.52	28,000,000.00	502,840,693.28
2017 Shuangchuang Bond 2 nd Period	251,298,268.72		6,625,000.00	27,041.77		257,950,310.49
2017 Short-term Notes 1 st Period	1,006,550,240.33		25,180,821.91	134,114.83		1,031,865,177.07
2017 Short-term Notes 2 nd Period	1,002,402,210.83		26,826,301.37	126,077.78		1,029,354,589.98

Bond name	December 31, 2017.	The current issue	Withdraw interest at par	Overflow discount amortization	The current payback	June 30, 2018.
2017 Medium-term Notes	1,202,096,431.86		34,320,000.00	77,225.53		1,236,493,657.39
2017 Shuangchuang Bond 3 rd Period		249,705,375.00	3,677,397.26	13,049.32		253,395,821.58
2018 Short-term Notes 1 st Period		999,890,042.12	7,597,260.27	96,824.66		1,007,584,127.05
Including: interest payable	32,292,593.60					131,311,374.41
Coming due within 1 year (Note V.34)	2,140,000,000.00					3,140,000,000.00
Total	2,067,526,074.06					2,337,928,546.11

34. Long-term Payable

Item	June 30, 2018.	December 31, 2017.
Finance lease payable	545,440,581.67	190,402,749.05
Unrecognized finance fees	-2,100,324.45	-3,906,634.71
Subtotal	543,340,257.22	186,496,114.34
Including: coming due within 1 year (note V.30)	226,638,710.00	89,996,100.00
Total	316,701,547.22	96,500,014.34

35. Long-term Payroll Payable

Item	June 30, 2018.	December 31, 2017.
Long-term payroll payable	1,377,258.17	1,598,142.47
Total	1,377,258.17	1,598,142.47

Note: The balance was dismissal welfare payable.

36. Specific Payable

Item	December 31, 2017.	Increase	Derease	June 30, 2018.
Venture angel investment fund	109,973,634.74	203,363.44	103.00	110,176,895.18
Software industry base allocation	38,594,277.43			38,594,277.43
Small loan guarantee fund for self-employed entrepreneurs in high-tech zone	5,243,970.61			5,243,970.61
Local bond funds	2,225,596.16			2,225,596.16
Others	1,194,217.00		44,832.00	1,149,385.00
Total	157,231,695.94	203,363.44	44,935.00	157,390,124.38

37. Estimated Liabilities

Item	June 30, 2018.	December 31, 2017.
External guarantee (note)	79,547,318.50	79,547,318.50
Pending litigation (note)		
Others	93,455.45	93,455.45
Total	79,640,773.95	79,640,773.95

Note: Please refer to Note IX.2 for details.

38. Deferred Income

(1) Category of deferred income

Item	December 31, 2017.	Increase	Decrease	June 30, 2018.
Government subsidy	31,283,956.19		87,499.98	31,196,456.21
Total	31,283,956.19		87,499.98	31,196,456.21

(2) Detail of government subsidy

Item	December 31, 2017.	Amount of newly subsidy	Profit and loss amount recorded in the current period	June 30, 2018.
Government subsidy for modification works of import food trade center	6,183,333.49		87,499.98	6,095,833.51
Government subsidy for new generation of information technology incubation park	12,000,000.00			12,000,000.00
Government subsidy for biomedical innovation incubation park	8,000,000.00			8,000,000.00
Special funds to improve financing environment for the development of small and medium-sized enterprises	2,000,000.00			2,000,000.00
Special fund for public platform of service outsourcing	2,000,000.00			2,000,000.00
National software public service platform funds	950,000.00			950,000.00
Government subsidies for technology companies	150,622.70			150,622.70
Total	31,283,956.19		87,499.98	31,196,456.21

39. Other Non-current Liabilities

Item	June 30, 2018.	December 31, 2017.
Other (note)	355,500,000.00	355,500,000.00
Total	355,500,000.00	355,500,000.00

Note: It was the equity investment in Yingkai Co. from other shareholders outside the Group. Please refer to Note VII.1.(2) for details.

40. Paid-in Capital

Item	December 31, 2017.	Increase	Decrease	June 30, 2018.
Bureau of finance and financial services of Chengdu Hi-Tech Industrial Development Zone	14,953,537,697.03			14,953,537,697.03

41. Capital Reserves

Item	December 31, 2017.	Increase	Decrease	June 30, 2018.
Capital premium	1,112,388,105.76			1,112,388,105.76
Other capital reserves	17,404,820.78			17,404,820.78
Total	1,129,792,926.54			1,129,792,926.54

42. Other Comprehensive Income

Item	December 31, 2017.	Increase/Decrease					June 30, 2018.
		Change in the current period	Including: amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period	Income tax expense	After-tax attribute to the parent company	After-tax attribute to minority shareholder	
Other comprehensive income reclassified into profits and losses	173,132,989.14	-11,966.48			-22,223.45	10,256.97	173,110,765.69
Including: Shares in other comprehensive income shall be reclassified into profits	173,225,996.45	-36,944.42			-36,944.42		173,189,052.03

Item	December 31, 2017.	Increase/Decrease					June 30, 2018.
		Change in the current period	Including: amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period	Income tax expense	After-tax attribute to the parent company	After-tax attribute to minority shareholder	
or losses in future in investee entity under the equity method							
Profits or losses from the change of fair value of available-for-sale financial assets	-93,007.31	24,977.94			14,720.97	10,256.97	-78,286.34
Total	173,132,989.14	-11,966.48			-22,223.45	10,256.97	173,110,765.69

43. Retained Earnings

Item	June 30, 2018.	December 31, 2017.
Opening balance of retained earnings before adjustments	-904,569,256.42	-978,021,566.89
Total amount of retained earnings at the beginning of adjustment		
Opening balance of retained earnings after adjustments	-904,569,256.42	-978,021,566.89
Add: Net profit attributable to owners of the company	-95,131,767.38	73,452,310.47
Less: Accrued statutory surplus reserve		
Accrued discretionary surplus reserve		
Dividend of common stock payable		

Item	June 30, 2018.	December 31, 2017.
Other		
Closing retained earnings	-999,701,023.80	-904,569,256.42

44. Operating Revenues and Operating Costs

Item	Jan.-Jun. 2018		Jan.-Jun. 2017	
	Revenue	Cost	Revenue	Cost
I. Main business				
1. Park	311,911,433.76	231,073,470.84	320,497,600.30	233,853,694.47
a. Park sales	8,087,279.52	1,899,808.27	15,080,031.62	10,515,407.60
b. Park lease	223,982,282.80	156,682,768.56	226,310,040.05	152,198,181.08
c. Other park supporting services	79,841,871.44	72,490,894.01	79,107,528.63	71,140,105.79
Including: Funds for construction work	41,620,335.64	6,247,765.47	45,919,330.34	8,741,352.49
Property management	28,437,842.64	54,844,612.58	19,682,176.31	52,502,156.50
Tianfu software park management services	185,919.85	11,398,515.96	1,056,769.56	9,896,596.80
Parking fee	9,597,773.31		12,449,252.42	
2. Construction	332,778,741.39	313,911,460.12	234,062,793.11	224,586,635.45
3. Commercial real estate	78,029,552.73	44,715,409.59	82,355,598.87	51,739,460.36
4. Residence	10,135,876.62	10,382,836.34	20,471,480.98	25,281,737.00
5. Commodity Sales	233,346,523.76	225,090,292.21	140,316,790.54	132,913,131.98
6. Other	74,593,092.35	17,373,628.89	83,904,301.87	18,902,465.08
a. Futures management	20,767,950.59		29,230,125.63	
b. Kitchen cabinet manufacturing	10,772,857.78	7,688,366.59	11,242,118.03	10,069,079.59
c. Hotel service	13,243,060.37	2,962,045.18	15,979,183.16	3,037,871.96
d. Other	29,809,223.61	6,723,217.12	27,452,875.05	5,795,513.53
Subtotal	1,040,795,220.61	842,547,097.99	881,608,565.67	687,277,124.34
II. Other business				
Consulting fee	500,562.79		1,413,168.82	
Interest of loan	1,472,549.79		1,171,940.52	
Others	9,641,147.63	2,974,525.48	14,652,565.43	3,649,139.31
Subtotal	11,614,260.21	2,974,525.48	17,237,674.77	3,649,139.31
Total	1,052,409,480.82	845,521,623.47	898,846,240.44	690,926,263.65

45. Interest Income

Item	Jan.-Jun. 2018	Jan.-Jun. 2017
Interest of loan	10,137,154.04	4,264,952.19
Interest of guarantee	694,778.81	381,191.18
Total	10,831,932.85	4,646,143.37
46. Tax and Surcharge		
Item	Jan.-Jun. 2018	Jan.-Jun. 2017
Land value added tax	4,168,566.87	3,924,825.26
Housing property tax	55,981,644.00	57,507,766.32
Business tax	-97,433.99	238,086.50
Land-use tax	7,178,976.93	7,563,529.16
Urban maintenance and construction tax	1,964,991.56	2,135,658.42
Education Surcharge	829,829.85	941,021.81
Local education surcharge	596,255.70	627,353.31
Stamp tax	3,422,637.94	1,650,681.12
Price regulation fund		
Other	62,214.22	102,725.89
Total	74,107,683.08	74,691,647.79
47. Financial Expenses		
Item	Jan.-Jun. 2018	Jan.-Jun. 2017
Interest expenses	275,236,195.79	189,993,888.80
Less: interest income	42,961,358.66	33,311,248.66
Exchange net profit or less	-169,347.64	53,490.96
Other	271,351.55	508,151.87
Total	232,376,841.04	157,244,282.97
48. Asset Impairment Loss		
Item	Jan.-Jun. 2018	Jan.-Jun. 2017
Bad debt loss	9,816,009.02	-131,404.84
Loan loss reserves	-3,332,069.25	-222,055.05
Provision for impairment on available-for-sale financial assets		300,000.00
Total	6,483,939.77	-53,459.89
49. Gains From Changes in Fair Value		

Item	Jan.-Jun. 2018	Jan.-Jun. 2017
Financial assets measured at fair value through profits and losses	1,274.84	25,539,325.50
Total	1,274.84	25,539,325.50

50. Investment Income

Item	Jan.-Jun. 2018	Jan.-Jun. 2017
Investment income received from disposal available-for-sale financial assets	-235,131.19	
Long-term equity investment income accounted by equity method	175,606,265.51	49,769,386.40
Gain from holding of available-for-sale financial assets	10,095,010.98	1,437,170.10
Investment income received from disposal of financial assets measured by fair value and the changes be included in the current profits and losses	179,277.10	
Other	207,358.50	14,972,523.19
Total	185,852,780.90	66,179,079.69

51. Asset Disposal Income

Item	Jan.-Jun. 2018	Jan.-Jun. 2017
Profits of disposal of the commerce of binghe spring	2,619,292.41	
Profits of disposal of the land of baijia	1,269,007.49	
Total	3,888,299.90	

52. Other Income

Item	Jan.-Jun. 2018	Jan.-Jun. 2017
Government subsidy	8,738,425.00	4,217,300.00
Total	8,738,425.00	4,217,300.00

Note: please refer to Note V.56 for the detail of government subsidy.

53. Non-operating Income

(1) List of non-operating income

Item	Jan.-Jun. 2018	Jan.-Jun. 2017
Government subsidy	43,969.75	785,041.28
Default income	574,979.59	506,716.77
Other	1,712,947.89	799,520.79
Total	2,331,897.23	2,091,278.84

(2) Please refer to note V.56 for the detail of government subsidies.

54. Non-operating Expenses

Item	Jan.-Jun. 2018	Jan.-Jun. 2017
Damage and abandonment loss on non-current assets	54,903.01	1,178.95
Donation	423,397.27	
Penalty loss	486,322.35	936,256.05
Others	7,842.15	652,954.82
Total	972,464.78	1,590,389.82

55. Income Tax Expenses

Item	Jan.-Jun. 2018	Jan.-Jun. 2017
Current income tax expenses	10,880,329.05	-54,752,429.40
Deferred income tax expenses	-1,229,551.52	59,675,214.93
Total	9,650,777.53	4,922,785.53

56. Government Subsidy

(1) Detail of government subsidy

Item	Source and basis	Accounting subject	Amount
Government subsidy for modification works of import food trade center	Chengdu Hi-Tech Comprehensive Bonded Zone Administration	Other income	87,499.98
Steady-post subsidy	Chengdu High-Tech Industrial Development Zone Human Resources And Social Security Bureau	Other income	288,251.90
Subsidy for software park lighting project	Chengdu Hi-tech Zone Environmental Protection and Urban Comprehensive Management Law Enforcement Bureau	Other income	107,900.18
Special subsidy for credit enhancement	Bureau of Finance and Financial Services of Chengdu Hi-Tech Industrial Development Zone	Other income	396,500.00
Subsidy for compensatory	Bureau of Finance and Financial Services of Chengdu Hi-Tech Industrial Development Zone	Other income	592,200.00
VAT exemption for small and micro businesses		Other income	5,572.94
Special fund for small and medium-sized enterprises in sichuan province	Chengdu Hi-Tech Industrial Development Zone Electronic Information Industry Development	Other income	1,800,000.00

Item	Source and basis	Accounting subject	Amount
	Bureau		
Winpower technology financial service demonstration project	Bureau of Finance and Financial Services of Chengdu Hi-Tech Industrial Development Zone	Other income	3,460,500.00
Special funds for the development of business services	Economic Operation And Production Safety Supervision Bureau Of Chengdu High-Tech Industrial Development Zone	Other income	1,000,000.00
The first batch of practical application research and development fund project subsidies in 2017	Chengdu Hi-Tech Industrial Development Zone Grass-Roots Management and Social Undertakings Bureau	Other income	1,000,000.00
Discount interest of "Growth Loan" Special Risk Compensation	Bureau of Finance and Financial Services of Chengdu Hi-Tech Industrial Development Zone	Financial expenses	427,500.00
Discount interest of "expand loan" credit product risk reserve	Chengdu Hi-Tech Zone Management Committee	Financial expenses	447,638.89
Discount interest for "science and technology" credit product risk reserve	Bureau of Finance and Financial Services of Chengdu Hi-Tech Industrial Development Zone	Financial expenses	1,194,097.22
Discount interest of Significant industrial investment	Chengdu Hi-Tech Zone Management Committee	Financial expenses	4,521,330.41
Subsidy fund of BOE entrusts loan project	Chengdu Hi-Tech Industrial Development Zone Economic and Trade Development Bureau	Financial expenses	90,606,736.11
Others		Non-operating income	43,969.75
Total			105,979,697.38

(2) Refund of government subsidy

In the current period, there was no refund of government subsidy.

57. Note to Consolidated Cash Flow Statement

(1) Note to the consolidated cash flow statement

A. Other cash received related to operating activities

Item	Jan.-Jun. 2018	Jan.-Jun. 2017
Agent-construction funds	1,808,969,766.39	1,565,272,736.11
Intercourse payments (Reserve fund, collection agent payment, etc)	539,009,020.45	2,088,538,511.81

Margins received	628,283,938.17	791,940,119.75
Compensatory and interest received	58,579,697.18	20,965,313.37
Government subsidy	7,672,660.70	24,623,241.30
Refundable deposits	12,809,044.61	47,744,969.85
Interest income received	17,306,283.58	13,303,656.58
Meal card payment received	7,083,175.32	12,413,193.89
Other external units and personal intercourse payments, etc.	23,415,466.12	48,872,062.72
Others	131,140,756.74	129,211,306.41
Total	3,234,269,809.26	4,742,885,111.79

B. Other cash paid related to operating activities

Item	Jan.-Jun. 2018	Jan.-Jun. 2017
Agent-construction payment paid	1,283,861,381.30	1,460,656,886.73
Margins paid	1,278,259,015.38	862,998,633.41
Intercourse payments (Reserve fund, collection agent payment, etc)	262,767,907.73	868,747,429.02
Expenses	45,658,100.62	41,948,739.24
Return real estate payments		18,725,121.00
Meal card payment paid	9,008,963.67	13,217,866.01
Other external units and personal intercourse payments, etc	72,655,411.58	2,320,714.23
Refundable deposits		5,000,000.00
Non-operating expenses	310,596.38	16,676,420.38
Entrusted loans		
Others	58,383,764.64	27,189,821.00
Total	3,010,905,141.30	3,317,481,631.02

C. Other cash received related to investment activities

Item	Jan.-Jun. 2018	Jan.-Jun. 2017
Recovery of entrusted loan	440,000,000.00	
Recovery of angel fund investment payment and interest received, etc.	203,363.44	438,963.72
Total	440,203,363.44	438,963.72

D. Other cash paid related to investment activities

Item	Jan.-Jun. 2018	Jan.-Jun. 2017
Entrust loan		535,000,000.00
Angel fund investment payment and expenses	6,800,102.00	7,010,242.00
Total	6,800,102.00	542,010,242.00

E. Other cash received related to financing activities

Item	Jan.-Jun. 2018	Jan.-Jun. 2017
Monetary with restriction of ownership		4,696,051.65
Total		4,696,051.65

F. Other cash paid related to financing activities

Item	Jan.-Jun. 2018	Jan.-Jun. 2017
Financing expenses	2,192,839.07	4,343,483.88
Total	2,192,839.07	4,343,483.88

(2) Supplementary information to consolidated cash flow statement

Item	Jan.-Jun. 2018	Jan.-Jun. 2017
1. Reconciliation of net profit to net cash flows generated from operating activities		
Net profit	-85,417,936.86	-98,924,509.40
Add: Provision for impairment of assets	6,483,939.77	-53,459.89
Depreciation of fixed assets, of oil-gas assets, of productive biological assets	175,373,029.96	169,715,722.38
Amortization of intangible assets	1,650,299.57	2,082,183.39
Long-term unamortized expenses	1,597,383.07	2,428,518.07
Losses on disposal of fixed assets, intangible assets and other long-term assets	-3,892,956.68	-289.52
Losses on abandonment of fixed assets	54,903.01	
Losses from variation of fair value	1,274.84	-25,539,325.50
Financial cost	274,297,253.90	275,076,001.84
Investment loss	-185,852,780.90	-66,179,079.69
Decrease in deferred income tax assets	-1,229,551.52	59,675,228.93
Increase on deferred income tax liabilities	-21,834.11	-221,939.83
Decrease in inventory	-2,459,474,640.00	-868,761,575.53

Item	Jan.-Jun. 2018	Jan.-Jun. 2017
Decrease in accounts receivable from operating activities	-65,134,065.68	-298,959,525.59
Increase in payables from operating activities	391,903,691.30	862,497,412.74
Others		
Net cash flows generated from operating activities	-1,949,661,990.33	12,835,362.40
2. Investing and financing activities that do not involving cash receipts and payment		
Debt transferred as capital		
Convertible corporate bond due within one year		
Fixed assets from financing lease		
3. Net increase in cash and cash equivalents		
Closing balance of cash	6,040,961,653.52	6,422,984,684.90
Less: opening balance of cash	6,184,352,039.46	5,782,603,235.54
Add: closing balance of cash equivalents		
Less: opening balance of cash equivalents		
Net increase in cash and cash equivalents	-143,390,385.94	640,381,449.36
(3) Cash and cash equivalents		
Item	Jan.-Jun. 2018	Jan.-Jun. 2017
Cash	6,040,961,653.52	6,184,352,039.46
Including: cash on hand	314,363.70	4,165,535.69
Bank deposit on demand	5,400,155,390.27	5,433,288,955.23
Other monetary fund on demand	640,491,899.55	746,897,548.54
Cash equivalents		
Closing balance of cash and cash equivalents	6,040,961,653.52	6,184,352,039.46
Not including: cash and cash equivalents with restriction of ownership	93,173,679.77	95,779,413.30
(4) Cash and cash equivalents with restriction of ownership		
Item	June 30, 2018.	December 31, 2017.
Fixed-term deposite and margin due over three months	2,389,446.06	5,229,045.33
Government specific funds	90,784,233.71	90,550,367.97
Total	93,173,679.77	95,779,413.30

VI. Change in Consolidation Scope

There is no change in consolidation scope in this period.

VII. Equity in Other Parties

1. Equity in subsidiary

(1) Organization structure of the group

(RMB'0,000)

No.	Name of subsidiaries	Registered address	Business nature	Registered capital	Shareholding ratio (%)	Voting ratio (%)	Investment amount	Acquisition method
1	Chengdu Hi-Tech Investment Asset Management Co., Ltd.	Chengdu	Project investment and management, assets management etc.	108,000.00	100.00	100.00	108,000.00	Set up
2	Chengdu Hi-Tech Investment Real Estate Co., Ltd.	Chengdu	Real estate development, management, sale etc.	75,000.00	100.00	100.00	75,000.00	Set up
3	Chengdu Hi-tech Investment Financial Guarantee Co., Ltd.	Chengdu	Financial guarantee and consulting etc.	60,000.00	100.00	100.00	55,000.00	Set up
4	Chengdu Hi-Tech Investment Construction and Development Co., Ltd.	Chengdu	Infrastructure construction, real estate comprehensive development etc.	20,000.00	100.00	100.00	20,000.00	Set up
5	Chengdu Hi-Tech Investment Venture Capital Co., Ltd.	Chengdu	Venture capital, management services and consulting etc.	20,000.00	100.00	100.00	15,700.00	Set up
6	Chengdu Hi-Tech Investment	Chengdu	Investment and assets	10,000.00	100.00	100.00	10,000.00	Set up

No.	Name of subsidiaries	Registered address	Business nature	Registered capital	Shareholding ratio (%)	Voting ratio (%)	investment amount	Acquisition method
	Winpower Investment and Development Co., Ltd		management, investment consulting etc.					
7	Chengdu Tianfu Software Park Co., Ltd.	Chengdu	Park management and consulting service etc.	2,000.00	100.00	100.00	2,000.00	Set up
8	Chengdu Hi-Tech Investment International Trade Co., Ltd	Chengdu	Import and export trading, domestic trade etc.	2,000.00	100.00	100.00	1,000.00	Set up
9	Chengdu Hi-Tech Investment Sports Management Co., Ltd.	Chengdu	Sports management, landscaping, advertising, etc.	300.00	100.00	100.00	300.00	Set up
10	Chengdu Chengxin Semiconductor Manufacturing Co. Ltd.	Chengdu	Semiconductor chip manufacturing, marketing, etc.	225,000.00	60.00	60.00	135,000.00	Set up
11	Chengdu Hi-tech Investment Technology Microfinance Co., Ltd.	Chengdu	Provide loans and related consulting services etc.	30,000.00	51.00	51.00	15,300.00	Set up
12	Chengdu Hi-Tech Development Co., Ltd.	Chengdu	Real estate development and management, futures brokerage and construction	31,148.00	45.40	45.40	66,461.26	Others

No.	Name of subsidiaries	Registered address	Business nature	Registered capital	Shareholding ratio (%)	Voting ratio (%)	investment amount	Acquisition method
			etc.					
13	Chengdu Gexin Engineering Project Management Co. Ltd.	Chengdu	House lease etc.	180,000.00	80.00	80.00	100,000.00	Set up
14	Chengdu Hi-Tech Investment Biological Medicine Park Management Co., Ltd.	Chengdu	Park management etc.	100.00	100.00	100.00	500.00	Set up
15	Chengdu Yingkai Investment Co., Ltd.	Chengdu	Investment management etc.	39,800.00	0.50	100.00	200.00	Set up

Note: All above are disclosed to the primary subsidiary.

(2) Reason why the Parent Company Has Control Rights over the Investee with Voting Right of the Investee Less than Half

(RMB'0,000)

No.	Name of enterprise	Shareholding ratio (%)	Voting ratio (%)	Registered capital	Investment amount	Level	Reason for being included into consolidated scope
1	Hi-Tech Development Co.	45.40	45.40	31,148.00	66,461.26	Primary	Actual control
2	Yingkai Co.	0.50	100.00	39,800.00	200.00	Primary	Note

Note: The Group totally held the shareholding proportion of Yingkai Co. was only 0.5%, but it had substantial operational control, the other shareholders have fixed returns according to their investment, and does not bear the risk of investment, the group shall bear the guarantee liability for the other shareholders' investment losses. In accordance with the relevant provisions of the

accounting standard for business enterprises, the Group should incorporate Yingkai Co. into the consolidated scope, and accounted other shareholder investment as liabilities in the "other non-current liabilities" subjects in the level of the merger.

(3) Equity in financial subsidiary

No.	Name of enterprise	Level	Business nature	Shareholding ratio (%)
1	CDHTI Guarantee Co.	2	state-owned enterprise	100.00
2	CDHTI Microfinance Co.	2	state-owned enterprise	51.00

(4) When accounting policies adopted by subsidiaries are inconsistent with those adopted by the parent company, the method by which the parent company prepares consolidated financial statements.

The policy of bad debt provision for receivables of Hi-Tech Development Co. was not consistent with that of the Company, but it had little influence on the consolidated financial statement, so no adjustment had been made. The policy of bad debt provision for receivables had been described in Note III.11.

(5) Significant non-wholly-owned subsidiary

(RMB'0,000)				
Name of subsidy	Shareholding proportion of minority shareholder	The profits and losses arbitrated to the minority shareholders	Dividends paid to minority shareholders in the current period	Accumulated minority equity at the end of the period
Hi-Tech Development Co.	54.60%	592.86		33,914.73
CDHTI Microfinance Co.	49.00%	389.81	64.71	16,073.85
Gexin Co.	20.00%	-18.03		35,982.06

Main financial information:

(RMB'0,000)		
Item	Hi-Tech Development Co.	
	June 30, 2018/Jan.-Jun. 2018	December 31, 2017/Jan.-Jun. 2017
Current assets	269,875.74	258,293.88
Non-current assets	41,070.60	40,327.19
Total assets	310,946.34	298,621.07
Current liabilities	203,374.12	208,635.70

Non-current liabilities	28,080.11	12,035.22
Total liabilities	231,454.23	220,670.92
Operating revenues	40,691.65	32,850.29
Net profits	1,353.39	1,908.68
Total comprehensive income	1,355.89	1,673.51
Cash flow related to operating activities	-27,606.06	14,173.69

Continued:

Item	CDHTI Microfinance Co.	
	June 30, 2018/Jan.-Jun. 2018	December 31, 2017/Jan.-Jun. 2017
Current assets	9,254.82	14,293.80
Non-current assets	23,671.54	22,213.93
Total assets	32,926.36	36,507.73
Current liabilities	122.57	4,367.42
Non-current liabilities		
Total liabilities	122.57	4,367.42
Operating revenues	1,019.98	443.28
Net profits	795.54	95.30
Total comprehensive income	795.54	95.30
Cash flow related to operating activities	-4,945.96	1,995.66

Continued:

Item	Gexin Co.	
	June 30, 2018/Jan.-Jun. 2018	December 31, 2017/Jan.-Jun. 2017
Current assets	140,948.81	53,371.72
Non-current assets	299,481.89	180,812.91
Total assets	440,430.70	234,184.63
Current liabilities	29,320.38	109,184.15
Non-current liabilities	231,200.00	
Total liabilities	260,520.38	109,184.15
Operating revenues		
Net profits	-90.16	
Total comprehensive income	-90.16	
Cash flow related to operating activities	-208,380.41	

2. Changed the owner's equity share in subsidiary and still controlled the subsidiary

There is no changed the owner's equity share in subsidiary and still controlled the subsidiary.

VIII. Related Parties and Related-party Transactions

(I) Related parties

1. Parent company information of the enterprise

The Company is a wholly state-owned limited liability company approved by the Chengdu Hi-Tech Zone Management Committee, and State-Owned Assets Management Bureau of Chengdu Hi-Tech Industrial Development Zone was the direct investor of the Company.

2. Subsidiaries of the company

Please refer to the Note VII.1 for details.

3. Information on the joint ventures and associated enterprises of the company

Please refer to the Note VII.3.(1) for details.

The following is the situation of the joint venture or associated enterprises that had entered into transactions with related parties of the Group in the current period, or formed a balance in the transaction with related parties of the Group in the earlier period:

Name of enterprise	Relationship
Chengdu Yinke Venture Capital Co., Ltd	Associated enterprise
Chengdu Coe Technology Co., Ltd	Associated enterprise
Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd	Joint venture
Chengdu Financial City Investment&Development Co., Ltd	Associated enterprise
Chengdu Hi-Tech Jinhong Technology Petty Loan Co., Ltd	Associated enterprise of CDHTI Guarantee Co.
Sichuan Gongchuang Enterprise Management Service Co., Ltd	Associated enterprise of CDHTI Yingchuang Co.
Sichuan United Credit Management Co., Ltd	Associated enterprise of CDHTI Yingchuang Co.
Chengdu Yingchuang Detai Equity Investment Fund Management Co., Ltd	Associated enterprise of CDHTI Venture Co.
Chengdu Yingchuang Dehong Equity Investment Fund Management Co., Ltd	Associated enterprise of CDHTI Venture Co.
Chengdu Yingchuang Xingke Equity Investment Fund Management Co., Ltd	Associated enterprise of CDHTI Venture Co.
Chengdu Pante Industrial Co., Ltd.	Associated enterprise of Hi-tech Development Co.

4. Other related parties information

Name of enterprise	Relationship
Chengdu Industrial Investment Group Co., Ltd	Parent company of Chengxin Co.
Chengdu Construction Engineering Group General Company	Parent company of Gexin Co.

(II) Related transaction**1. Pricing policy**

Trading unit	Counterparty	Transaction type	pricing principle
Hi-tech Development Co.	Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd	Construction industry	Refer to the market price
CDHTI Construction Co.	Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd	Implementation management	Refer to the market price
The company	Chengdu Yinke Venture Capital Co., Ltd	Rental and property	Refer to the market price
The company	Chengdu Hi-Tech Jinhong Technology Petty Loan Co., Ltd	Rental and property	Refer to the market price
The company	Chengdu Coe Technology Co., Ltd	Rental and property	Refer to the market price
The company	Sichuan Gongchuang Enterprise Management Service Co., Ltd	Rental and property	Refer to the market price
The company	Sichuan United Credit Management Co., Ltd	Rental and property	Refer to the market price
Hi-tech Development Co.	Chengdu Pante Industrial Co., Ltd.	Loan	Interest-free

2. Related transaction**A. Related transactions for sales of goods and provision of labor service**

Related-party	Content	Jan.-Jun. 2018	Jan.-Jun. 2017
Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd	Construction industry	23,931,580.54	59,748,093.53
Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd	Implementation management	3,860,054.34	

B. Rental and property

Related-party	Jan.-Jun. 2018		Jan.-Jun. 2017	
	Amount	Ratio (%)	Amount	Ratio (%)
Chengdu Yinke Venture Capital Co., Ltd	83,039.31	0.04	571,144.55	0.02
Chengdu Hi-Tech Jinhong Technology Petty Loan Co., Ltd	485,503.54	0.22	279,284.11	0.02
Chengdu Coe Technology Co., Ltd	184,685.71	0.08	31,695.24	0.01

Related-party	Jan.-Jun. 2018		Jan.-Jun. 2017	
	Amount	Ratio (%)	Amount	Ratio (%)
Sichuan Gongchuang Enterprise Management Service Co., Ltd	90,936.69	0.04	109,958.07	
Sichuan United Credit Management Co., Ltd			71,001.33	

3. Related-party guarantee

Please refer to Note IX.2 for details.

4. Receivables and payables of related parties

Item	June 30, 2018.		December 31, 2017.	
	Amount	Ratio (%)	Amount	Ratio (%)
Accounts receivable				
Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd	18,817,961.53	1.46	31,055,582.18	2.46
Chengdu Coe Technology Co., Ltd	1,261,584.00	0.10	1,604,860.00	0.13
Chengdu Hi-Tech Jinhong Technology Petty Loan Co., Ltd	509,778.72	0.04	11,588.72	
Chengdu Yingchuang Xingke Equity Investment Fund Management Co., Ltd	2,112.00			
Sichuan Gongchuang Enterprise Management Service Co., Ltd	190,967.04	0.01	143,225.28	0.01
Sichuan United Credit Management Co., Ltd	65,455.75	0.01	131,314.95	0.01
Subtotal	20,847,859.04		32,946,571.13	
Other accounts receivable				
Chengdu Financial City Investment&Development Co., Ltd	353,520,000.00	9.15	300,000,000.00	7.88
Chengdu Industrial Investment Group Co., Ltd	10,810,868.12	0.28	10,810,868.12	0.28
Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd	10,265,059.32	0.27	13,097,711.37	0.34
Chengdu Bonded Logistics Investment Co., Ltd.	193,296.88	0.01	193,296.88	0.01
Chengdu Yinke Venture Capital Co., Ltd	68,218.23		131,714.31	
Chengdu Construction Engineering Group General Company			6,347,000.00	0.17
Subtotal	374,857,442.55		330,580,590.68	
Other accounts payable				
Chengdu Industrial Investment Group Co., Ltd	420,117,307.91	9.99	420,117,307.91	10.72
Chengdu Hi-Tech Jinhong Technology Petty Loan Co., Ltd	248,086.53	0.01	1,173,043.46	0.03

Item	June 30, 2018.		December 31, 2017.	
	Amount	Ratio (%)	Amount	Ratio (%)
Chengdu Yinke Venture Capital Co., Ltd	225,658.30	0.01	217,968.30	0.01
Sichuan Gongchuang Enterprise Management Service Co., Ltd	47,741.76		47,741.76	
Chengdu Hi-Tech Zhigu Human Resources Industrial Park Management Co., Ltd	53,231.73			
Sichuan United Credit Management Co., Ltd			49,394.40	
Chengdu Luwei Photoelectric Co., Ltd	16,495.20			
Chengdu Yingchuang Detai Equity Investment Fund Management Co., Ltd	75,620.16		151,240.32	
Chengdu Yingchuang Dehong Equity Investment Fund Management Co., Ltd			2,400.00	
Chengdu Construction Engineering Group General Company	93,148,555.33		290,087,903.23	
Subtotal	513,932,696.92		711,846,999.38	
Advance from Customers				
Chengdu Luwei Photoelectric Co., Ltd	37,766.40	0.01		
Chengdu Hi-Tech Zhigu Human Resources Industrial Park Management Co., Ltd	53,231.73	0.02		
Subtotal	90,998.13			
Dividend payable				
Chengdu Industrial Investment Group Co., Ltd	25,653,578.99	16.00	25,653,578.99	43.32
Subtotal	25,653,578.99		25,653,578.99	

IX. Commitments and Contingency

1. Significant commitments

Up to June 30, 2018, there were no significant commitments to be disclosed.

2. Significant contingency on balance sheet date

(1) Contingency generated from provision of debt guarantee and its financial influence

(RMB'000)

No.	Guarantee unit	Guarantee object		Guarantee method	Guarantee type	Guarantee amount	Guarantee period
		Name	Nature				
1	The Company	Chengdu Coe Technology Co., Ltd	State-owned Holding	Joint and several	Loan guarantee	14,400.00	March 30, 2016 To March 29,

No.	Guarantee unit	Guarantee object		Guarantee method	Guarantee type	Guarantee amount	Guarantee period
		Name	Nature				
				liability			2025.
2	The Company	Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd	Sino-foreign joint	Joint and several liability	Loan guarantee	138,870.95	December 20, 2012. To August 26, 2024.
3	CDHTI Construction Co.	Chengdu Cooperative Sewage Treatment Co., Ltd.	State-owned Holding	Joint and several liability	Loan guarantee	1,935.44	July 26, 2007. To July 25, 2022
4	CDHTI Guarantee Co.	Client	Others	Credit and margin pledge	Loan guarantee	11,296.99	
5	Hi-tech Development Co.	Chengdu Juyou Network Co., Ltd.	Listed company	Joint and several liability	Loan guarantee	7,954.73	
	Total					174,458.11	

Note: Except Chengdu Juyou Network Co., Ltd., the guarantee customer of CDHTI guarantee co., all the other guaranteed parties operate normally without any overdue or lawsuit. The joint and several liability guarantee provided by Hi-Tech Development Co. for Chengdu Juyou Network Co., Ltd. has been included in the estimated liabilities of RMB 79.55 million.

(2) Pending action, contingency formed by arbitration and its financial influence

A. For Chengdu Juyou Network Co., Ltd. guarantees matters involved in litigation, Hi-Tech Development Co. has accumulated an estimated amount of RMB 79.55 million in guarantee losses according to the progress of the lawsuit matters.

B. Sichuan United Credit Management Co., Ltd. entered the liquidation and cancellation procedures, and the company was insolvent. As a shareholder, CDHTI Winpower Co. shall bear legal liabilities within the difference between the paid-in capital and the registered capital. The related liabilities were estimated to be RMB 93,500 yuan according to the liquidation results of the invested entity.

C. Hi-Tech Development Co. was sued by the relevant party for providing a guarantee for Chengdu Juqiang Industrial Development Co., Ltd. As of June 30, 2018, the lawsuit was still underway.

D. Hi-Tech Development Co. filed a lawsuit against the relevant party over the dispute of land transfer payments receivable from Sichuan Tiankun Housing Development Co., Ltd, as of the balance sheet date, the final judgment in the case was upheld, Hi-Tech Development Co. has made full provision for the deduction of receivables; Due to the dispute over land transfer payments receivable from Sichuan Dadi Resource Development Co., Ltd., a lawsuit has been filed with relevant parties. As of the balance sheet date, the case was under execution.

E. At June 30, 2018, CDHTI Guarantee Co. had RMB 104.20 million of loans involved in litigation.

F. Chengdu Promising-Chip Electronic Co., Ltd, the investee of CDHTI Venture Co., had been largely stagnant due to the large inventory backlog and the slowing down of customers' payment collection. CDHTI Venture Co. claimed to buy back its shares to shareholders in accordance with the investment agreement. In June 2016, the Court of Chengdu High-Tech Zone ordered the shareholders of Ruixin Co. to pay the capital contribution and interest. The defendant shareholders appealed against the first instance decision to Chengdu Intermediate People's Court. In November 2016, Chengdu Intermediate People's Court made a final judgment, upheld the original judgment and rejected the appeal. At present, relevant lawsuits are being enforced, and the execution money has been withdrawn by 62 thousand yuan.

G. As of June 30, 2018, the pending litigations of the group against the lessee and the property client due to the disputes of lease contract and property service contract were as follows:

(RMB 0'000)

Plaintiff	Type of lawsuit	Quantity	Amount	Progress
The Company	Lease contract dispute	2	121.60	In the first instance
The Company	Lease contract dispute	10	1,371.31	In execution
CDHTI Construction Co.	Lease contract dispute	5	86.17	In the first instance
CDHTI Construction Co.	Lease contract dispute	1	10.65	First instance decided
CDHTI Construction Co.	Lease contract dispute	7	246.90	In execution
CDHTI Real Estate Co.	Lease contract dispute	5	236.50	In the first instance
CDHTI Real Estate Co.	Lease contract dispute	1	26.08	First instance decided
CDHTI Real Estate Co.	Lease contract dispute	1	65.43	In the second instance
CDHTI Real Estate Co.	Lease contract dispute	15	1,783.91	In execution
CDHTI Property Co.	Property services contract dispute	2	32.43	In the first instance
CDHTI Property Co.	Property services contract dispute	8	241.21	First instance decided
CDHTI Property Co.	Property services contract dispute	2	38.01	In execution

Plaintiff	Type of lawsuit	Quantity	Amount	Progress
Total		59	4,260.20	

3. Except for the above commitments and contingencies, there was no significant commitments and contingency of the Group to disclose up to June 30, 2018.

X. Events after Balance Sheet Date

1. Significant loans as of the reporting date

(1) On July 23, 2018, the Company issued 2018 medium-term notes 1st period for RMB 1 billion, the period is 3 years.

(2) On July 31, 2018, the Company borrows RMB 130 million from Sichuan branch of China Development Bank, the period is 2 years.

2. Matters related to litigation in contract disputes

As of the reporting date, there were no matters related to litigation in contract disputes to disclose.

3. The company has no other major matters after balance sheet date except those disclosed above.

XI. Other Significant Events

1. Correction of early accounting errors

This period, there was no correction of early accounting errors to disclose.

2. Others

(1) According to the "Notice concerning the transfer of funds for major industrial projects of Chengdu Hi-tech District Tuoxin Industry Investment Co., Ltd." which issued by Bureau of Finance and Financial Services of Chengdu Hi-Tech Industrial Development Zone, the Group had stripped the entrusted assets and liabilities from the financial statements and made separate accounts for the management of special account funds. The impact of the matter on the statement was as follows:


Asset	June 30, 2018.	Liability	December 31, 2017.
Monetary funds	202,111,358.81	Specific payable	202,111,358.81
Total	202,111,358.81	Total	202,111,358.81

(2) In 2007, hi-tech development co. transferred all the shares in Chengdu Beite Electric Bicycle Co., Ltd. Because Chengdu Beite Electric Bicycle Co., Ltd. was seized by the Court for the guarantee for Chengdu Juyou Network Co., Ltd, it was unable to complete the transfer procedures so far.


(3) On September 6, 2000, Sichuan Ya'an Hot Spring Tourism Development Co., Ltd (hereinafter referred to as the "Hot Spring Co.") signed "agreement about attracting investment to develop

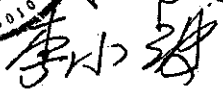
construction land and related matters for setting up ya'an natural ecological hot spring tourism development zone" with Ya 'an local government; In 2001, They signed a supplementary agreement; In 2004 and 2005, the government issued some approvals and letters. According to those above agreements and papers, Hot Spring Co. was responsible for the hot spring development zone of about 2000 mu of land for construction purposes for overall planning, infrastructure construction and attracting investment, and the government used the land transfer income as compensation for infrastructure construction investment and resources development of Hot Spring Co.

On May 10, 2011, Sichuan Provincial Department of Land and Resources, Finance Department, Department of Supervision and Audit Office jointly issued " notice on further strengthening the management of state-owned land-use right transfer payment" (Sichuan State-Owned Land [2011] No.36), the notification make clear further "enterprises are forbidden to be involved in land transfer revenue sharing in any way, every signed agreement about the land transfer revenue sharing between government and the enterprise should be terminated. The relevant documents issued by the government and relevant departments concerning the income sharing of land transfer shall be annulled immediately. ". Based on the above notification, the management of the company is actively communicating with the local government of ya 'an about the follow-up agreements.



Chengdu Hi-Tech Investment Group Co., Ltd.

Legal representative: 

Financial officer: 

Date: September 30, 2018.

Auditor's Report

The shareholders of Chengdu Hi-tech Investment Group Co., Ltd.:

Opinion

We have audited the accompanying financial statements of Chengdu Hi-tech Investment Group Co., Ltd. ("CDHTI Investment Co."), which comprises the consolidated and parent company's balance sheet as of December 31, 2017, 2016, 2015, the consolidated and parent company's income statement, the consolidated and parent company's cash flow statement, and the consolidated and parent company's statement of changes in shareholders' equity for the year 2017, 2016 and 2015, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and parent company's financial position of CDHTI Investment Co. as of December 31, 2017, 2016, 2015, and its consolidated and parent company's financial performance and cash flows of CDHTI Investment Co. of the year 2017, 2016 and 2015, in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

Basis for Opinion

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

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

The management of CDHTI Investment Co. is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Business Enterprises and designing,

implementing and maintaining internal control that is necessary to enable the financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing CDHTI Investment Co.'s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Chinese Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

internal control.

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

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

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

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

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

Sichuan Huaxin (Group) CPA (LLP)

Chengde, China



Chinese Certified Public Accountant:

Chinese Certified Public Accountant:



June 30, 2018



Consolidated Balance Sheet



Prepared by: Chengde Hi-Tech Investment Group Co., Ltd.

Currency: RMB Yuan

	Notes	December 31, 2017	December 31, 2016	December 31, 2015
Current assets:				
Monetary funds	V.1	6,280,131,452.76	5,893,032,839.37	5,338,978,921.93
Provision of settlement fund				
Funds lent				
Financial assets measured by fair value and the changes included in the current gains and losses	V.2	42,292.86	56,186,516.10	58,347,535.95
Derivative assets				
Notes receivable	V.3	4,643,372.43		3,165,268.64
Accounts receivable	V.4	1,202,204,686.16	795,325,250.04	881,821,992.60
Prepayment	V.5	31,726,161.12	41,221,491.24	63,820,794.76
Insurance premiums receivable				
Cession premiums receivable				
Provision of cession receivable	V.6	237,808.68	202,789.81	
Interests receivable	V.7	4,756,832.68	8,066,063.89	11,316,832.77
Dividend receivable	V.8		7,091,717.63	7,386,736.47
Other accounts receivable	V.9	3,763,647,116.98	2,755,772,026.12	2,578,850,031.03
Recoursabel financial assets acquired				
Inventory	V.10	7,916,671,121.23	7,022,492,776.31	8,295,807,599.28
Held-to-sale assets				
Non-current assets coming due within 1 year	V.11	445,000,000.00		10,000,000.00
Other current assets	V.12	301,188,953.36	187,774,938.02	320,805,276.90
Total current assets		19,950,249,798.26	16,767,166,408.53	17,570,300,990.33
Non-current assets:				
Loans and payments on behalf	V.13	208,988,762.56	203,421,821.20	308,569,907.73
Available-for-sale financial assets	V.14	667,991,846.57	484,829,140.91	428,479,677.61
Held-to-maturity investments				
Long-term accounts receivable	V.15	43,912,609.60	197,558,320.49	240,901,486.69
Long-term equity investments	V.16	3,792,589,099.58	3,780,009,402.14	2,501,046,192.28
Investment real estate	V.17	11,757,678,568.01	11,456,758,637.96	10,018,658,464.02
Fixed assets	V.18	265,512,396.66	289,439,535.23	261,754,508.03
Construction in progress	V.19	1,891,374,605.80	80,432,923.41	94,081,840.24
Construction supplies				
Fixed assets pending disposal				
Bearer biological assets				
Oil and natural gas assets				
Intangible assets	V.20	66,596,580.64	69,111,867.41	70,882,942.73
Research and development costs				
Goodwill				
Long-term unamortized expenses	V.21	7,439,076.92	15,752,588.37	5,996,321.49
Deferred income tax assets	V.22	141,011,027.81	189,010,137.76	129,198,888.47
Other non-current assets	V.23	4,614,854,269.84	3,846,466,809.44	1,209,057,309.44
Total Non-current assets		23,457,948,843.99	20,612,791,184.32	15,268,627,538.73
Total assets		43,408,198,642.25	37,379,957,592.85	32,838,928,529.06

Legal Representative

Competent person in charge of accounting work:

Accounting Supervisor

Consolidated Balance Sheet (Continued)

随同审计报告一并使用
四川华信(集团)会计师事务所

Prepared by: Chengde Tech Investment Group Co., Ltd.

Currency: RMB Yuan

Item	Notes	December 31, 2017	December 31, 2016	December 31, 2015.
Current liabilities:				
Short-term loan	V.25	500,000,000.00	250,000,000.00	771,764,158.14
Borrowings from central bank				
Deposits from customers and interbank				
Deposit funds				
Financial assets held for liabilities				
Derivative liabilities				
Notes payable				
Accounts payable	V.26	3,016,440,987.97	2,357,230,633.32	3,082,696,918.21
Advance from customers	V.27	331,915,152.98	434,429,023.87	1,024,958,914.27
Funds from sales of financial assets with repurchase agreement				
Handing charges and commissions payable				
Payroll payable	V.28	57,547,676.53	43,157,175.55	48,693,101.21
Taxes payable	V.29	256,397,130.66	152,930,116.58	216,368,066.50
Interests payable	V.30	59,216,714.23	29,852,331.08	29,857,685.66
Dividends payable	V.31	578,359.32	578,359.32	578,359.32
Other accounts payable	V.32	3,919,308,517.16	4,582,733,167.31	3,887,095,787.74
Cession insurance premiums payable				
Provision for insurance contracts	V.33	653,643,627.66	614,381,411.04	503,591,784.37
Funds received as agent of stock exchange				
Funds received as stock underwrite				
Held-for-sale liabilities				
Non-current liabilities coming due within 1 year	V.34	8,664,457,350.00	3,900,113,902.86	2,886,950,000.00
Other current liabilities	V.35	244,844,456.18	24,211,233.36	399,878,229.18
Total current liabilities		17,704,349,972.69	12,389,617,354.29	12,852,433,004.60
Non-current liabilities:				
Long-term loan	V.36	7,200,161,250.00	9,974,022,500.00	6,755,510,000.00
Bonds payable	V.37	2,087,526,074.08	278,466,593.24	417,472,996.74
Including: Preferred stock				
Perpetual debt				
Long-term payable	V.38	96,500,014.34	181,534,179.31	240,193,314.30
Long-term payroll payable	V.39	1,598,142.47	1,569,672.56	1,032,007.36
Specific payable	V.40	157,231,695.94	178,999,751.38	167,739,374.53
Estimated liabilities	V.41	79,640,773.95	79,847,318.50	79,883,058.93
Deferred income	V.42	31,283,956.19	18,506,253.45	23,986,833.07
Deferred liabilities	V.22	32,233,106.77	32,428,629.03	32,206,202.93
Other non-current liabilities	V.43	355,500,000.00	396,000,000.00	
Total non-current liabilities		10,041,675,013.74	11,141,374,897.47	7,718,023,787.86
Total liabilities		27,746,024,986.43	23,530,992,251.76	20,570,456,792.46
Owners' equity:				
Paid-in capital	V.44	14,953,537,697.03	13,495,537,697.03	13,495,537,697.03
Other equity instruments				
Including: Preferred stock				
Perpetual debt				
Capital reserves	V.45	1,129,792,926.54	1,104,954,220.78	277,404,820.78
Less: Reasury stock				
Other comprehensive income	V.46	173,132,989.14	178,826,117.55	277,958,749.20
Special reserve		135,136.89		
Surplus reserve				
General reserve				
Retained earnings	V.47	-904,569,256.42	-978,021,566.89	-1,818,704,598.74
Total owners' equity attributable to parent company		15,352,029,493.18	13,801,296,468.47	12,232,196,668.27
Minority owners' equity		310,144,162.64	47,668,872.62	36,275,068.33
Total owners' equity		15,662,173,655.82	13,848,965,341.09	12,268,471,736.60
Total liabilities and owners' equity		43,408,198,642.25	37,379,957,592.85	32,838,928,529.06

Legal Representative

Competent person in charge of accounting work:

Accounting Supervisor



Consolidated Income Statement

随同审计报告一并使用
四川华信(集团)会计师事务所

Prepared by: Chengdu Heli Investment Group Co., Ltd.

Currency: RMB Yuan

Item	Notes	2017	2016	2015
I. Total revenues		3,465,329,059.24	4,488,478,281.65	5,519,713,424.68
Including: Operating revenues	V.48	3,448,331,518.83	4,456,113,230.67	5,418,155,332.34
Interest income	V.49	14,301,750.34	24,769,464.33	64,427,182.12
Insurance premiums earned	V.50	2,695,790.07	7,595,586.65	37,130,910.22
Hangding charges and commissions income				
II. Total costs		3,773,496,109.41	4,518,190,330.48	5,483,264,340.31
Including: Operating costs	V.48	2,646,122,181.24	3,204,748,974.42	3,860,264,623.33
Interest expenses			175,388.89	7,037,338.00
Hangding charges and commissions expenses		3,752.20	3,847.80	6,027.84
Refund of insurance premiums				
Net payments for insurance claims		72,890,054.96	883,395.39	2,333,448.92
Net provision for insurance contracts	V.51	-36,879,701.52	110,691,856.86	221,038,664.34
Amortized deposit for duty			-105,020.00	
Commissions on insurance policies				
Cession charges	V.52	34,837.73	195,539.62	
Tax and surcharge	V.53	317,832,505.94	409,412,193.64	496,807,865.33
Selling and distribution expenses		124,674,531.71	126,905,619.92	143,727,961.94
General and administrative expenses		239,454,964.91	215,568,397.49	219,609,968.77
Financial expenses	V.54	370,503,843.92	445,423,795.50	461,467,243.77
Asset impairment loss	V.55	38,859,138.32	4,286,340.95	70,971,198.07
Add: Gains from changes in fair value (loss expressed with "-")	V.56	33,384,689.58	-2,161,019.85	17,647,000.94
Investment income (loss expressed with "-")	V.57	339,052,833.54	858,494,695.88	85,320,385.93
Including: Investment income from joint ventures and associated enterprises		300,400,083.62	256,769,803.66	-57,635,331.63
Gain on foreign exchange transactions (loss expressed with "-")				
Asset disposal income (loss expressed with "-")	V.58	271,278.97	1,313,092.71	1,057.03
Other income	V.59	37,571,087.26		
III. Profit from operations (loss expressed with "-")		102,112,839.18	827,934,719.91	139,417,528.27
Add: Non-operating income	V.60	16,274,388.18	159,114,480.60	101,067,336.46
Less: Non-operating expenses	V.61	3,258,214.08	43,196,321.55	30,706,159.74
IV. Profit before tax (loss expressed with "-")		115,129,013.28	943,852,878.96	209,778,704.99
Less: Income tax expenses	V.62	27,307,914.26	56,803,548.31	123,186,361.90
V. Net profit (loss expressed with "-")		87,821,099.02	887,049,330.65	86,592,343.09
I. Profit classified as continuity				
1) Continuous operating profit and loss		87,821,099.02	887,049,330.65	86,592,343.09
2) Termination of the business profit and loss				
2. Profit classified as ownership				
1) Net profit attributable to parent company		73,452,310.47	840,683,031.85	59,644,381.75
2) Profit/loss attributable to minority share-holders		14,368,788.55	46,366,298.80	26,947,961.34
VI. Other comprehensive income after tax		-6,188,774.03	-126,754,257.85	-50,974,216.46
Other Comprehensive income after tax attributable to parent company		-5,693,128.41	-99,132,631.65	-20,016,294.09
1. Comprehensive income not to be reclassified as profit or loss				
1) Changes in remeasured defined benefit obligations or net assets				
2) Portion of comprehensive income not to be reclassified as profit or loss under equity method				
2. Comprehensive income to be reclassified as profit or loss		-5,693,128.41	-99,132,631.65	-20,016,294.09
1) Portion of comprehensive income to be reclassified as profit or loss under equity method		16,478.80	20,201.73	34,532,528.01
2) Gain or loss from fair value changes of available-for-sale financial assets		-5,709,607.21	-57,053,334.83	-55,456,305.99
3) Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets				
4) Gain or loss on effective cash flow hedging				
5) Currency translation reserve			-42,099,498.55	907,483.89
6) Others				
Other comprehensive income attributable to minority share-holders after tax		-495,645.62	-27,621,626.20	-30,957,922.37
VII. Total comprehensive income		81,632,324.99	760,295,072.80	35,618,126.63
Total comprehensive income attributable to parent company		67,759,182.06	741,550,400.20	39,628,087.66
Total comprehensive income attributable to minority share-holders		13,873,142.93	18,744,672.60	-4,009,961.03

Legal Representative:

Competent person in charge of accounting work:

Accounting Supervisor:



Consolidated Cash Flow Statement

随同审计报告一并使用
四川华信(集团)会计师事务所

Prepared by: Chengde Huiyin Investment Group Co., Ltd.

Currency: RMB Yuan

Item	Notes	2017	2016	2015
1. Cash flow from operating activities				
Cash received from sales and services		3,537,796,132.93	4,145,013,508.73	4,362,795,963.90
Net increase in customer deposits and deposits from banks and other financial institutions				
Net increase in loans from central bank				
Net increase in loans from other financial institutions				
Premiums received on original insurance contracts		2,572,222.50	7,887,037.33	32,271,702.45
Net proceeds from reinsurance				
Net increase in deposits and investments of policy holders				
Net increase in proceeds from disposal of financial assets at fair value through profit or loss				
Interest, handling charges and commissions received		14,696,302.53	29,535,855.83	73,272,815.79
Net increase in interbank loans obtained				
Net increase in proceeds from repurchase transactions				
Taxes and surcharges refunds		48,048,722.37	39,281,536.80	18,038,714.89
Other cash received related to operating activities	V.64	7,381,486,839.16	6,143,466,374.00	7,225,660,819.67
Total cash inflows from operating activities		10,984,600,219.49	10,365,184,312.69	11,712,040,016.70
Cash paid for goods and services		3,700,302,196.92	2,561,913,342.76	2,770,629,767.17
Net increase in loans and advances to customers		-19,098,869.32	-94,950,891.65	-14,425,116.52
Net increase in deposits in central bank and in interbank loans granted				
Payments for claims on original insurance contracts		96,037,375.13	178,727,344.06	468,018,845.76
Interest, handling charges and commissions paid		12,506.41	15,683.40	38,090.45
Policy dividends paid				
Cash paid to and for employees		603,783,983.16	745,863,677.42	660,874,424.29
Taxes and surcharges cash payments		604,980,124.12	522,727,775.15	620,472,675.32
Other cash paid related to operating activities	V.64	7,531,660,444.31	6,781,628,961.90	6,541,559,872.18
Total cash outflows from operating activities		12,517,677,760.73	10,695,925,893.04	11,047,168,558.65
Net cash flows from operating activities		-1,533,077,541.24	-330,741,580.35	664,871,458.05
2. Cash flows from investing activities				
Proceeds from disinvestments		254,676,683.19	334,100,461.35	431,966,244.73
Investment income received		30,757,413.91	609,961,697.74	153,401,450.94
Net proceeds from disposal of property, plant and equipment, intangible assets and other long-lived assets		480,551.17	1,795,245.30	133,746.17
Net proceeds from disposal of subsidiaries or other business units				
Other cash received related to investing activities	V.64	311,875,487.45	18,271,101.15	117,479,474.74
Total cash inflows from investing activities		597,790,135.72	964,128,505.54	702,980,916.58
Payments for acquisition of property, plant and equipment, intangible assets and other long-lived assets		521,116,764.04	51,525,543.22	12,086,724.85
Payments for investments		761,170,054.89	1,164,199,995.35	469,460,913.63
Net increase in pledged loans granted				
Net payments for acquisition of subsidiaries and other business units				
Other cash paid related to investing activities	V.64	2,769,986,431.64	2,318,861,825.60	1,023,500,000.00
Total cash outflows from investing activities		4,052,273,250.57	3,534,587,364.17	1,505,047,638.48
Net cash flows from investing activities		-3,454,483,114.85	-2,570,458,858.63	-802,066,721.90
3. Cash flows from financing activities				
Capital contributions received including: Capital contributions by non-controlling interests to subsidiaries		753,988,000.00	300,000,000.00	260,000,000.00
Increase in borrowings		9,560,375,000.00	7,615,000,000.00	4,391,800,000.00
Net proceeds from issuance of bonds				
Other cash received related to other financing activities	V.64	460,468,516.68	397,932,472.95	26,729,582.80
Total cash inflows from financing activities		10,774,831,516.68	8,312,932,472.95	4,678,529,582.80
Repayment of borrowings		4,594,713,902.86	4,108,750,000.00	3,415,558,063.02
Payments for interest and dividends		746,403,020.24	768,061,907.22	845,355,819.51
Including: Dividends paid by subsidiaries to non-controlling interests		1,428,927.07	7,350,868.31	29,934,673.25
Other cash paid related to financing activities	V.64	44,263,648.44	64,542,489.83	72,994,583.51
Total cash outflows from financing activities		5,385,380,571.54	4,941,354,397.05	4,333,908,466.04
Net cash flows from financing activities		5,389,450,945.14	3,371,578,075.90	344,621,116.76
4. Effect of foreign exchange rate changes on cash and cash equivalents		-141,485.13	145,374.61	144,615.60
5. Net increase in cash and cash equivalents		401,748,803.92	470,523,011.53	207,570,468.51
Add: Opening balance of cash and cash equivalents		5,782,603,235.54	5,312,080,224.01	5,104,509,755.50
6. Closing balance of cash and cash equivalents		6,184,352,039.46	5,782,603,235.54	5,312,080,224.01

Legal Representative:

Competent person in charge of accounting work:

Accounting Supervisor:




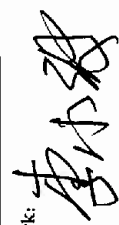
Consolidated Statement of Changes in Owners' Equity




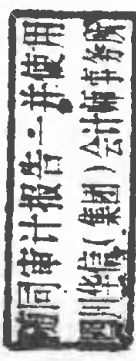
Prepared by: Chengdu Hitech Investment Group Co., Ltd.
Currency: RMB Yuan

Item	2017							Total owners' equity
	Owners' equity attributable to parent company							
	Paid-in capital	Capital reserves	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Minority owners' equity	
I. Balances as of end of prior year	13,495,537,697.03	1,104,954,220.78	178,826,117.55			-978,021,566.89	47,668,872.62	13,848,965,341.09
Add: Adjustments for changed accounting policies								
Adjustments for corrections of previous errors								
Adjustments for business mergers under same control								
Other adjustments								
III. Balances as of beginning of the year	13,495,537,697.03	1,104,954,220.78	178,826,117.55			-978,021,566.89	47,668,872.62	13,848,965,341.09
IV. Increase or decrease in this period	1,458,000,000.00	24,838,705.76	-5,693,128.41	135,136.89		73,452,310.47	262,475,290.02	1,813,208,314.73
1. Total comprehensive income			-5,693,128.41			73,452,310.47	13,873,142.93	81,632,324.99
2. Capital increased and reduced by owners	1,458,000,000.00	24,707,258.46					250,000,000.00	1,732,707,258.46
1) Common shares increased by shareholders	1,458,000,000.00							
2) Capital increase by holders of other equity								
3) Share-based payments included in owners' equity								
4) Others		24,707,258.46						
3. Profit distribution							-1,428,927.07	24,707,258.46
1) Appropriation to surplus reserves								
2) Appropriation to general reserve								
3) Appropriation to owners (or shareholders)							-1,428,927.07	-1,428,927.07
4) Others								
4. Carryforwards within owners' equity								
1) Increase in capital (or share capital) from								
2) Increase in capital (or share capital) from								
3) Surplus reserves used to make up losses								
4) Others								
5. Specific reserve				135,136.89			162,521.46	297,658.35
1) Withdrawn for the period				1,866,668.04			2,244,935.58	4,111,603.62
2) Used during the period				1,731,531.15			2,082,414.12	3,813,945.27
6. Others		131,447.30					-131,447.30	
IV. Balances as of end of the period	14,953,537,697.03	1,129,792,926.54	173,132,989.14	135,136.89		-904,569,256.42	310,144,162.64	15,662,173,655.82

Legal Representative: 

Competent person in charge of accounting work: 

Accounting Supervisor: 



Consolidated Statement of Changes in Owners' Equity (Continued)

	2016							Total owners' equity
	Paid-in capital	Capital reserves	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Minority owners' equity	
I. Balances as of end of prior year	13,495,537,697.03	277,404,820.78	277,958,749.20			-1,824,965,087.46	36,275,068.33	12,262,211,247.88
Add: Adjustments for changed accounting policies								
Adjustments for corrections of previous errors								
Adjustments for business mergers under same						6,260,488.72		6,260,488.72
Other adjustments								
II. Balances as of beginning of the year	13,495,537,697.03	277,404,820.78	277,958,749.20			-1,818,704,598.74	36,275,068.33	12,268,471,736.60
III. Increase/ decrease in the period ("-" for decrease)								
1. Total comprehensive income						840,683,031.85	11,393,804.29	1,580,493,604.49
2. Capital increased and reduced by owners						840,683,031.85	18,744,672.60	760,295,072.80
1) Common shares increased by shareholders								
2) Capital increased by owners or other equity								
3) Share-based payments included to owners								
4) Others								
3. Profit distribution								
1) Appropriation to surplus reserves								
2) Appropriation to general reserve								
3) Appropriation to owners (or shareholders)								
4) Others								
4. Carryforwards within owners' equity								
1) increase in capital (or share capital) from capital								
2) increase in capital (or share capital) from								
3) Surplus reserves used to make up losses								
4) Others								
5. Specific reserve								
1) Withdrawn for the period								
2) Used during the period								
6. Others								
IV. Balances as of end of the period	13,495,537,697.03	1,104,954,220.78	178,826,117.55			-978,021,566.89	47,668,872.62	13,848,965,341.09



Prepared by: Chengdu Huixin Investment Group Co., Ltd. Currency: RMB Yuan

Legal Representative:  Accounting Supervisor: 

Competent person in charge of accounting work: 

Consolidated Statement of Changes in Owners' Equity (Continued)

	2015							Total owners' equity
	Owners' equity attributable to parent company							
	Paid-in capital	Capital reserves	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Minority owners' equity	
I. Balances as of end of prior year	13,495,537,697.03	13,184,820.78	265,238,839.41		63,407,956.51	459,481,968.88	238,325,059.79	14,535,176,342.40
Add: Adjustments for changed accounting policies								
Adjustments for corrections of previous errors			32,736,203.88		-3,369,951.78	-2,066,111,070.85	-429,726,326.80	-2,466,471,145.55
Adjustments for business mergers under same control								
Other adjustments								
III. Balances as of beginning of the year	13,495,537,697.03	13,184,820.78	297,975,043.29		60,038,004.73	-1,606,629,101.97	-191,401,267.01	12,068,705,196.85
III. Increase/ decrease in the period ("-" for decrease)		264,220,000.00	-20,016,294.09		-60,038,004.73	-212,075,496.77	227,676,335.34	199,766,539.75
1. Total comprehensive income			-20,016,294.09			59,644,381.75	-4,009,961.03	35,618,126.63
2. Capital increased and reduced by owners		264,220,000.00						264,220,000.00
1) Common shares increased by shareholders		260,000,000.00						260,000,000.00
2) Capital increased by noteholders or other equity								
3) Share-based payments included in owners' equity								
4) Others		4,220,000.00						4,220,000.00
3. Profit distribution								
1) Appropriation to surplus reserves								
2) Appropriation to general reserve								
3) Appropriation to owners (or shareholders)								
4) Others								
4. Carry forwards within owners' equity								
1) Increase in capital (or share capital) from capital								
2) Increase in capital (or share capital) from surplus								
3) Surplus reserves used to make up losses								
4) Others								
5. Specific reserve								
1) Withdrawn for the period								
2) Used during the period								
6. Others								
IV. Balances as of end of the period	13,495,537,697.03	277,404,820.78	277,958,749.20		-60,038,004.73	-211,719,878.52	261,620,969.62	-10,136,913.63

Legal Representative:

Competent person in charge of accounting work:

Accounting Supervisor:



Prepared by: Chengdu Hi-Tech Investment Group Co., Ltd. 2015 MB Yuan



Parent Company Balance Sheet

随同审计报告一并使用
四川华信(集团)会计师事务所

Prepared by Chengde Hi-Tech Investment Group Co., Ltd

Currency: RMB Yuan

Item	Notes	December 31, 2017	December 31, 2016	December 31, 2015
Current assets:				
Monetary funds		3,107,675,841.64	2,935,354,028.64	1,502,710,040.17
Provision of settlement fund				
Funds lent				
Financial assets measured by fair value and the changes included in the current gains and losses		42,292.86	56,186,516.10	58,347,535.95
Derivative assets				
Notes receivable				
Accounts receivable	XIII.1	473,054,174.10	28,577,707.02	27,050,860.69
Prepayment		5,940,572.45	12,540,435.89	22,407,262.56
Insurance premiums receivable				
Cession premiums receivable				
Provision of cession receivable				
Interests receivable				
Dividend receivable			2,000,000.00	2,295,018.84
Other accounts receivable	XIII.2	7,884,704,228.11	5,741,720,577.59	5,658,781,482.07
Recoursabel financial assets acquired				
Inventory		2,106,367,939.18	2,622,974,754.19	2,890,139,555.51
Held-to-sale assets				
Non-current assets coming due within 1 year		440,000,000.00		10,000,000.00
Other current assets		1,007,140,296.38	6,993,889.71	16,434,252.81
Total current assets		15,024,925,344.72	11,406,347,909.14	10,188,166,008.60
Non-current assets:				
Loans and payments on behalf				
Available-for-sale financial assets		453,142,918.55	253,247,718.81	342,394,616.08
Held-to-maturity investments				
Long-term accounts receivable				
Long-term equity investments	XIII.3	8,205,936,752.10	7,135,183,641.86	5,861,667,885.58
Investment real estate		5,626,622,927.58	5,776,416,967.51	5,632,122,808.71
Fixed assets		27,000,307.76	29,527,145.15	31,087,188.43
Construction in progress		93,075,620.77	79,566,923.41	79,566,923.41
Construction supplies				
Fixed assets pending disposal				
Bearer biological assets				
Oil and natural gas assets				
Intangible assets		2,527,599.35	2,951,614.27	1,886,216.65
Research and development costs				
Goodwill				
Long-term unamortized expenses			6,324,132.83	
Deferred income tax assets			58,795,972.67	
Other non-current assets		4,121,070,114.80	3,326,070,114.80	1,096,070,114.80
Total Non-current assets		18,529,376,240.91	16,668,084,231.31	13,044,795,753.66
Total assets		33,554,301,585.63	28,074,432,140.45	23,232,961,762.26

Legal Representative

Competent person in charge of accounting work:

Accounting Supervisor



Parent Company Balance Sheet (Continued)

随同审计报告一并使用
四川华信(集团)会计师事务所

Prepared by: Chengdu Hi-Tech Investment Group Co., Ltd.

Currency: RMB Yuan

Item	Notes	December 31, 2017	December 31, 2016	December 31, 2015
Current liabilities:				
Short-term loan		500,000,000.00	250,000,000.00	738,000,000.00
Borrowings from central bank				
Deposits from customers and interbank				
Deposit funds				
Financial assets held for liabilities				
Derivative liabilities				
Notes payable				
Accounts payable		830,550,189.77	366,785,233.48	423,932,894.50
Advance from customers		4,442,254.93	2,622,680.72	205,039,842.96
Funds from sales of financial assets with repurchase agreement				
Handing charges and commissions payable				
Payroll payable		2,929,675.08	337,648.53	93,782.19
Taxes payable		198,705,809.78	167,518,753.71	114,553,305.61
Interests payable		32,484,785.24	2,852,352.09	4,204,106.67
Dividends payable				
Other accounts payable		737,980,847.72	1,138,730,013.99	305,781,114.79
Cession insurance premiums payable				
Provision for insurance contracts				
Funds received as agent of stock exchange				
Funds received as stock underwrite				
Held-for-sale liabilities				
Non-current liabilities coming due within 1 year		7,926,676,100.00	3,151,826,402.86	2,651,300,000.00
Other current liabilities		337,847,298.99		
Total current liabilities		10,571,616,961.51	5,080,673,085.38	4,442,905,046.72
Non-current liabilities:				
Long-term loan		5,185,380,000.00	8,672,960,000.00	6,111,160,000.00
Bonds payable		2,087,526,074.08	278,466,593.24	417,472,996.74
Including: Preferred stock				
Perpetual debt				
Long-term payable		10,213,195.60	19,970,820.78	
Long-term payroll payable				
Specific payable		41,569,873.59	41,569,873.59	61,934,311.83
Estimated liabilities				
Deferred income			4,040,000.00	4,640,000.00
Deferred liabilities				
Other non-current liabilities				
Total non-current liabilities		7,324,689,143.27	9,017,007,287.61	6,595,207,308.57
Total liabilities		17,896,306,104.78	14,097,680,372.99	11,038,112,355.29
Owners' equity:				
Paid-in capital		14,953,537,697.03	13,495,537,697.03	13,495,537,697.03
Other equity instruments				
Including: Preferred stock				
Perpetual debt				
Capital reserves		1,162,053,779.45	1,137,556,684.04	310,174,748.04
Less: Treasury stock				
Other comprehensive income		96,900,505.66	101,884,181.25	159,553,588.42
Special reserve				
Surplus reserve		60,038,004.73	60,038,004.73	60,038,004.73
General reserve				
Retained earnings		-614,534,506.02	-818,264,799.59	-1,830,454,631.25
Total owners' equity		15,657,995,480.85	13,976,751,767.46	12,194,849,406.97
Total liabilities and owners' equity		33,554,301,585.63	28,074,432,140.45	23,232,961,762.26

Legal Representative:

Competent person in charge of accounting work:

Accounting Supervisor:

随同审计报告一并使用
四川华信(集团)会计师事务所

Parent Company Income Statement

Prepared by: Chengdu Hi-Tech Investment Group Co., Ltd.

Currency: RMB Yuan

	Notes	2017	2016	2015
I. Total revenues		1,637,582,594.24	1,550,201,766.49	1,067,647,384.91
Including: Operating revenues	XIII.4	1,637,582,594.24	1,550,201,766.49	1,067,647,384.91
Interest income				
Insurance premiums earned				
Handing charges and commissions income				
II. Total costs		1,781,901,671.27	1,467,977,350.87	1,219,101,722.78
Including: Operating costs	XIII.4	1,386,344,028.84	892,404,595.60	611,313,369.11
Interest expenses				
Handing charges and commissions expenses				
Refund of insurance premiums				
Net payments for insurance claims				
Net provision for insurance contracts				
Expenditures dividend policy				
Cession charges				
Tax and surcharge		167,721,716.80	260,423,638.69	218,495,817.42
Selling and distribution expenses		3,479,032.78	259,618.95	34,800.00
General and administrative expenses		47,339,223.67	36,881,310.59	30,408,118.62
Financial expenses		151,529,770.76	266,487,175.66	347,227,160.47
Asset impairment loss		25,487,898.42	11,521,011.38	11,622,457.16
Add: Gains from changes in fair value (loss expressed with "-")		33,384,689.58	-2,161,019.85	17,647,000.94
Investment income (loss expressed with "-")	XIII.5	312,565,338.87	849,092,637.66	121,123,280.57
Including: Investment income from joint ventures and associated enterprises		291,017,551.58	253,688,511.18	-61,747,396.06
Gain on foreign exchange transactions (loss expressed with "-")				
Asset disposal income (loss expressed with "-")				
Other income		679,658.16		
III. Profit from operations (loss expressed with "-")		202,310,609.58	929,156,033.43	-12,684,056.36
Add: Non-operating income		381,484.86	119,664,014.71	62,985,283.45
Less: Non-operating expenses		1,186,785.42	9,664.54	4,400.28
IV. Profit before tax (loss expressed with "-")		201,505,309.02	1,048,810,383.60	50,296,826.81
Less: Income tax expenses		-2,224,984.55	36,620,551.94	
V. Net profit (loss expressed with "-")		203,730,293.57	1,012,189,831.66	50,296,826.81
1. Profit classified as continuity		203,730,293.57	1,012,189,831.66	50,296,826.81
2. Profit classified as ownership				
VI. Other comprehensive income after tax		-4,983,675.59	-57,669,407.17	-55,453,022.37
1. Comprehensive income not to be reclassified as profit or loss				
1) Changes in remeasured defined benefit obligations or net assets				
2) Portion of comprehensive income not to be reclassified as profit or loss under equity method				
2. Comprehensive income to be reclassified as profit or loss		-4,983,675.59	-57,669,407.17	-55,453,022.37
1) Portion of comprehensive income to be reclassified as profit or loss under equity method		16,478.80	20,190.10	-16,533.31
2) Gain or loss from fair value changes of available-for-sale financial assets		-5,000,154.39	-57,689,597.27	-55,436,489.06
3) Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets				
4) Gain or loss on effective cash flow hedging				
5) Currency translation reserve				
6) Others				
VII. Total comprehensive income		198,746,617.98	954,520,424.49	-5,156,195.56

Legal Representative:  Competent person in charge of accounting work:

Accounting Supervisor: 



Parent Company Cash Flow Statement

随同审计报告一并使用
 四川华信(集团)会计师事务所
COURTESY: RMB BY WANG

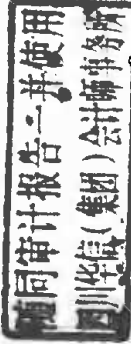
Prepared by: Chengdu High-Tech Investment Group Co., Ltd.

Item	Notes	2017	2016	2015
1. Cash flow from operating activities				
Cash received from sales and services		1,257,141,474.62	1,394,448,797.46	1,291,960,491.61
Net increase in customer deposits and deposits from banks and other financial institutions				
Net increase in loans from Central Bank				
Net increase in loans from other financial institutions				
Premiums received on original insurance contracts				
Net proceeds from reinsurance				
Net increase in deposits and investments of policy holders				
Net increase in proceeds from disposal of financial assets at fair value through profit or loss				
Interest, handling charges and commissions received				
Net increase in interbank loans obtained				
Net increase in proceeds from repurchase transactions				
Taxes and surcharges refunds				
Other cash received related to operating activities		2,921,401,011.64	874,180,960.69	405,084,301.25
Total cash inflows from operating activities		4,178,542,486.26	2,268,629,758.15	1,697,044,792.86
Cash paid for goods and services		840,767,683.66	559,210,845.84	434,525,168.04
Net increase in loans and advances to customers				
Net increase in deposits in central bank and in interbank loans granted				
Payments for claims on original insurance contracts				
Interest, handling charges and commissions paid				
Policy dividends paid				
Cash paid to and for employees		35,313,335.78	27,030,144.14	20,185,782.92
Taxes and surcharges cash payments		393,356,598.20	202,987,251.92	55,128,609.52
Other cash paid related to operating activities		2,505,493,513.76	92,622,951.38	185,405,334.98
Total cash outflows from operating activities		3,774,931,131.40	881,851,193.28	695,244,895.46
Net cash flows from operating activities		403,611,354.86	1,386,778,564.87	1,001,799,897.40
2. Cash flows from investing activities				
Proceeds from disinvestments		99,883,273.58	261,457,295.35	370,993,752.72
Investment income received		29,770,440.16	600,155,787.12	383,363,019.23
Net proceeds from disposal of property, plant and equipment, intangible assets and other long-lived assets				
Net proceeds from disposal of subsidiaries or other business units				
Other cash received related to investing activities		5,219,420,939.97	5,426,955,346.93	4,081,999,829.08
Total cash inflows from investing activities		5,349,074,653.71	6,288,568,429.40	4,836,356,601.03
Payments for acquisition of property, plant and equipment, intangible assets and other long-lived assets		15,574,788.16	10,668,470.71	479,793.62
Payments for investments		1,491,847,414.89	941,449,995.35	987,720,000.00
Net increase in pledged loans granted				
Net payments for acquisition of subsidiaries and other business units				
Other cash paid related to investing activities		8,733,561,691.57	7,445,516,027.08	5,338,403,779.40
Total cash outflows from investing activities		10,240,983,894.62	8,397,634,493.14	6,326,603,573.02
Net cash flows from investing activities		-4,891,909,240.91	-2,109,066,063.74	-1,490,246,971.99
3. Cash flows from financing activities				
Capital contributions received including capital contributions by non-controlling interests to subsidiaries		474,000,000.00	300,000,000.00	260,000,000.00
Increase in borrowings		8,115,875,000.00	6,185,000,000.00	3,709,000,000.00
Net proceeds from issuance of bonds				
Other cash received related to other financing activities		459,751,000.00	17,966,211.42	1,897,914,297.47
Total cash inflows from financing activities		9,049,626,000.00	6,502,966,211.42	5,866,914,297.47
Repayment of borrowings		3,773,426,402.86	3,730,300,000.00	3,163,540,000.00
Payments for interest and dividends		586,109,468.77	635,299,828.74	736,057,969.06
Including: Dividends paid by subsidiaries to non-controlling interests				
Other cash paid related to financing activities		29,701,363.19	52,654,695.19	563,892,626.74
Total cash outflows from financing activities		4,389,237,234.82	4,418,254,523.93	4,463,490,595.80
Net cash flows from financing activities		4,660,388,765.18	2,084,711,687.49	1,403,423,701.67
4. Effect of foreign exchange rate changes on cash and cash equivalents				
5. Net increase in cash and cash equivalents		172,090,879.13	1,362,424,188.62	914,976,627.08
Add: Opening balance of cash and cash equivalents		2,865,134,228.79	1,502,710,040.17	587,733,413.09
6. Closing balance of cash and cash equivalents		3,037,225,107.92	2,865,134,228.79	1,502,710,040.17

Legal Representative

Competent person in charge of accounting work

Accounting Supervisor



Parent Company Statement of Changes in Owners' Equity

Prepared by: Chengdu Hi-Tech Investment Group Co., Ltd. 2017 Currency: RMB Yuan

	paid-in capital	Capital reserves	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total owners' equity
I. Balances as of end of prior year	13,495,537,697.03	1,137,556,684.04	101,884,181.25		60,038,004.73	-818,264,799.59	13,976,751,767.46
Add: Adjustments for changed accounting policies							
Adjustments for corrections of previous errors							
Adjustments for business mergers under same control							
Other adjustments							
II. Balances as of beginning of the year	13,495,537,697.03	1,137,556,684.04	101,884,181.25		60,038,004.73	-818,264,799.59	13,976,751,767.46
III. Increase/ decrease in the period ("-" for decrease)	1,458,000,000.00	24,497,095.41	-4,983,675.59			203,730,293.57	1,681,243,713.39
1. Total comprehensive income			-4,983,675.59			203,730,293.57	198,746,617.98
2. Capital increased and reduced by owners	1,458,000,000.00	24,707,258.46					1,482,707,258.46
1) Common shares increased by shareholders	1,458,000,000.00						1,458,000,000.00
2) Capital increased by holders of other equity instruments							
3) Share-based payments induced in owners							
4) Others		24,707,258.46					24,707,258.46
3. Profit distribution							
1) Appropriation to surplus reserves							
2) Appropriation to general reserve							
3) Appropriation to owners (or shareholders)							
4) Others							
4. Carryforwards within owners' equity							
1) Increase in capital (or share capital) from capital reserves							
2) Increase in capital (or share capital) from surplus reserves							
3) Surplus reserves used to make up losses							
4) Others							
5. Specific reserve							
1) Withdrawn for the period							
2) Used during the period							
6. Others		-210,163.05					-210,163.05
IV. Balances as of end of the period	14,953,537,697.03	1,162,053,779.45	96,900,505.66		60,038,004.73	-614,534,506.02	15,657,995,480.85

Legal Representative:

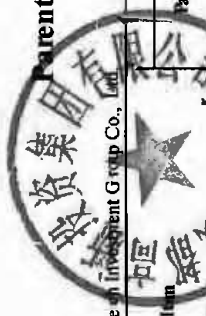
Competent person in charge of accounting work:

Accounting Supervisor:



Parent Company Statement of Changes in Owners' Equity (Continued)

	2016						
	paid-in capital	Capital reserves	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total owners' equity
I. Balances as of end of prior period	13,495,537,697.03	310,174,748.04	159,553,588.42		60,038,004.73	-1,842,147,120.97	12,183,156,917.25
Add: Adjustments for changed accounting policies							
Adjustments for corrections of previous errors						11,692,489.72	11,692,489.72
Adjustments for business mergers under same control							
Other adjustments							
II. Balances as of beginning of the year	13,495,537,697.03	310,174,748.04	159,553,588.42		60,038,004.73	-1,830,454,631.25	12,194,849,406.97
III. Increase/ decrease in the period ("-" for decrease)		827,381,936.00	-57,669,407.17			1,012,189,831.66	1,781,902,360.49
1. Total comprehensive income			-57,669,407.17			1,012,189,831.66	954,520,424.49
2. Capital increased and reduced by owners		827,381,936.00					827,381,936.00
1) Common shares increased by shareholders		650,000,000.00					650,000,000.00
2) Capital increased by holders of other equity instruments							
3) Share-based payments included in owners' equity							
4) Others		177,381,936.00					177,381,936.00
3. Profit distribution							
1) Appropriation to surplus reserves							
2) Appropriation to general reserve							
3) Appropriation to owners (or shareholders)							
4) Others							
4. Carryforwards within owners' equity							
1) Increase in capital (or share capital) from capital reserves							
2) Increase in capital (or share capital) from surplus reserves							
3) Surplus reserves used to make up losses							
4) Others							
5. Specific reserve							
1) Withdrawn for the period							
2) Used during the period							
6. Others							
IV. Balances as of end of the period	13,495,537,697.03	1,137,556,684.04	101,884,181.25		60,038,004.73	-818,264,799.59	13,976,751,767.46



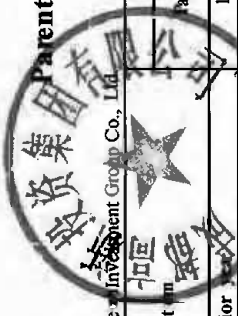
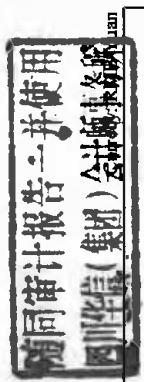
Prepared by: Chengdu Hi-Tech Investment Group Co., Ltd.

Accounting Supervisor:

Competent person in charge of accounting work:

Legal Representative:

Parent Company Statement of Changes in Owners' Equity (Continued)



	2015						
Item	aid-in capital	Capital reserves	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total owners' equity
I. Balances as of end of prior year	13,495,537,697.03	45,859,499.67	223,462,421.37		63,407,956.51	270,671,608.43	14,098,939,183.21
Add: Adjustments for changes accounting policies							
Adjustments for corrections of prior errors			-8,455,810.78		-3,369,951.78	-2,091,423,066.49	-2,103,248,829.05
Adjustments for business mergers under same control							
Other adjustments							
II. Balances as of beginning of the year	13,495,537,697.03	45,859,499.67	215,006,610.79		60,038,004.73	-1,820,751,458.06	11,995,690,354.16
III. Increase/decrease in the period ("-" for decrease)		264,315,248.37	-55,453,022.37			-9,703,173.19	199,159,052.81
1. Total comprehensive income			-55,453,022.37			50,296,826.81	-5,156,195.56
2. Capital increased and reduced by owners		264,220,000.00					264,220,000.00
1) Common shares increased by shareholders		260,000,000.00					260,000,000.00
2) Capital increased by holders of other equity instruments							
3) Share-based payments included in owners' equity							
4) Others		4,220,000.00					4,220,000.00
3. Profit distribution						-60,000,000.00	-60,000,000.00
1) Appropriation to surplus reserves							
2) Appropriation to general reserve							
3) Appropriation to owners (or shareholders)						-60,000,000.00	-60,000,000.00
4) Others							
4. Carryforwards within owners' equity							
1) Increase in capital (or share capital) from capital reserves							
2) Increase in capital (or share capital) from surplus reserves							
3) Surplus reserves used to make up losses							
4) Others							
5. Specific reserve							
1) Withdrawn for the period							
2) Used during the period							
6. Others		95,248.37					95,248.37
IV. Balances as of end of the period	13,495,537,697.03	310,174,748.04	159,553,588.42		60,038,004.73	-1,830,454,631.25	12,194,849,406.97

Legal Representative: [Signature]

Competent person in charge of accounting work: [Signature]

Accounting Supervisor: [Signature]

Notes to the financial statements

(Expressed in RMB Yuan unless otherwise indicated)

I. Basic Information of the Company

1. Company profile

Chengdu Hi-tech Investment Group Co., Ltd. (hereinafter referred to as "the Company", the company and its subsidiaries hereinafter referred to as "the Group") is a wholly state-owned limited liability company set up by State-owned Assets Management Bureau of Chengdu Hi-tech Industrial Development Zone and approved by Chengdu Hi-Tech Industrial Development Zone Management Committee's executive letter (1996) 031, established on October 28, 1996. Up to December 31, 2017, the registered capital is RMB 14,953.54 million.

Unified social credit code: 91510100633110883L; Legal representative: Ran Guangjun; Location: 6th Floor, Building A, High-Tech International Plaza, No. 18 of North Section of Tianfu Avenue, Hi-tech Zone, Chengdu, China (Sichuan) Pilot Free Trade Zone; Business scope: Construction, science and technology, economic and trade development investment and other investment conforming to national policies (forbid to engaging in illegal fund-raising and absorbing public funds and other financial activities); investment project management and consulting (forbid to engaging in illegal fund-raising and absorbing public funds and other financial activities); assets management and consulting (forbid to engaging in illegal fund-raising and absorbing public funds and other financial activities); real estate development and management (operating with a license); (the above business scope shall be subject to approved projects, and business activities may be carried out after approval by relevant departments.)

Organization structure: The Company set up the Board of Directors and the Board of Supervisors. And and there're Financial Department, Auditing Department, Human Resource Department, Investment Management Department, Construction Management Department, Assets Management Department, Administrative Department, Risk Management Department, Business Operations Department, The Park Development Department, Strategic Development Department, And Safety Production Department.

2. The scope of consolidated financial statements

For details, please see Note VI "Change in consolidation scope" and VII "Rights and interests in other parties".

II. Basis for the Preparation of Financial Statements

1. Preparation Basis

With the going-concern assumption as the basis and based on transactions and other events that actually occurred, the Group prepared financial statements in accordance with “The Accounting Standards for Business Enterprises - Basic Standard” issued by the Ministry of Finance and with each specific accounting standard, the Application Guidance of Accounting Standards for Business Enterprises, the Interpretation of Accounting Standards for Business Enterprises and other regulations (hereinafter jointly referred to as “the Accounting Standards for Business Enterprises”, “China Accounting Standards” or “CAS”).

2. Continuation

The Company evaluated the processes constantly operation ability for 12 months since the Reporting Period. There was no significant suspect event to the continuation. Thus, the financial statement was prepared on the base of the assumption of continuation.

III. Significant Accounting Policies and Accounting Estimations

1. Statement for Complying with the Accounting Standard for Business Enterprise

The financial statements are prepared in accordance with the accounting standard for business enterprise, and have reflected the Company’s financial status on December 31 2017, December 31 2016 and December 31 2015, operating results and cash flows in 2017, 2016 and 2015 of the Company and the Group.

2. Accounting period

The accounting year of the company is a solar calendar year, which is from January 1 to December 31.

3. Business Cycle

The business cycle of the Company is 12 months.

4. Reporting Currency

RMB is adopted as the reporting currency of the Group.

5. Accounting methods for corporate merger under the same control and not under the same control

(1) Each transaction items, conditions and economic influence in confirm with the following one or several conditions, when realizing enterprise combination by steps, several transaction events were considered as a package deal and conducted accounting method.

- A. The transaction was set up at the same time or had considered the influence on each other;
- B. The transaction only stand as a whole, a perfect commercial result can arrive;
- C. A transaction incurred depends on at least one transaction occurred;

D. A transaction is not economical, however, together with other transaction are economical.

(2) Business combination under the same control

The assets and liabilities that the combining party obtains in a business combination shall be measured on the basis of their carrying amount in the combined party (including goodwill formed from the final control party purchase combined party) combining party on the combining date. As for the balance between the carrying amount of the net assets obtained by the combining party and the carrying amount of the consideration paid by it (or the total par value of the shares issued), the additional paid-in capital shall be adjusted. If the additional paid-in capital is not sufficient to be offset, the retained earnings shall be adjusted.

In the event that the contingent consideration exists and the accrued liabilities or assets need to be recognized, the difference between the accrued liabilities or assets and the settlement amount of subsequent contingent consideration shall adjust the capital surplus (capital premium or stock premium), and if the capital surplus is not sufficient, adjust the retained earnings.

Where the corporate merger and acquisition is realized through multiple transactions, if these transactions belong to a package transaction, each transaction shall be accounted as a transaction to obtain the right to control; if these transactions do not belong to a package transaction, on the date the right to control is obtained, the difference between the initial investment costs of the long-term equity investment and the carrying value of long-term equity investment before the M&A plus the carrying value of the new consideration paid to further get the shares on the date of M&A shall be charged against the capital surplus, and if the capital surplus is insufficient, the difference shall be charged against the remaining earnings. For the equity investment held before the date of M&A, the other comprehensive earnings accounted for using the equity method or recognized with the financial tool and accounted for and recognized using the measurement criteria shall not be accounted, until the investment is disposed of, at which time, the investment shall be accounted for on the same basis as the investee directly disposes related assets or liabilities; the changes to the owner's equity in the investee's net assets accounted and recognized using the equity method other than the net profit or losses, other comprehensive earnings and profit distribution, shall not be accounted, until the investment is disposed of, at which time, it shall be carried over to the current profits or losses.

(3) Business combination not under the same control

The "acquisition date" refers to the date on which the Company actually obtains the control on the acquiree, that is, the date on which acquiree's net asset or the right of control of production

decision are transferred to the Company. The right of control is thought to be transferred when the following conditions are simultaneously satisfied:

- ① The contract or agreement of business combination has been approved by the internal authority of the Company.
- ② The events of the business combination in need of the approval of relevant national authorities have been approved.
- ③ The necessary property rights transfer has been made.
- ④ The Company has paid the most of the combined price, and the Company is able to pay the rest of it with plans.
- ⑤ The Company actually has controlled the finance and operation policy of the acquiree, enjoying the corresponding benefits and taking corresponding risks.

The Company shall, on the acquisition date, measure the assets given and liabilities incurred or assumed by an enterprise for a business combination in light of their fair values, and shall record the balances between them and their carrying amounts into the profits and losses at the current period.

The Company shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as business reputation. The Company shall record, upon recheck, the negative balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree into the profit and loss of the current period.

Where a merger of enterprises not under the same control is realized through multiple transactions step by step, if these transactions belong to a package transaction, each transaction shall be accounted as a transaction to obtain the right to control; if these transactions do not belong to a package transaction, and the equity investment held before the date of M&A is accounted using the equity method, the sum of the carrying value of the equity investment in the acquiree held before the date of the acquisition, plus the new investment costs on the date of the acquisition shall be the initial investment costs of the investment; other comprehensive earnings of the equity investment held before the date of acquisition accounted and recognized using the equity method shall be accounted on the same basis as the investee directly disposes relevant assets or liabilities when the investment is disposed of

. If the equity investment held before the date of M&A is recognized using the financial tool and accounted using the measurement criterion, the sum of the fair value of the equity investment on the date of M&A plus the new investment costs shall be the initial investment costs at the date of M&A. The difference between the fair value and carrying value of the held equity and changes to the

accumulated fair value charged against other comprehensive earnings shall be fully converted the current investment earnings at the date of M&A.

(4) Relevant costs incurred from the business combination

The intermediary fees (fees for audit, legal and evaluation & consulting services, etc.) and other relevant management expenses incurred on the acquirer for the business combination shall be recorded into current gains and losses when incurred. The trading expenses arising from the acquirer's issuing equity securities or debt securities as the combination consideration shall be included in the initially recognized amount of the equity securities or debt securities.

6. Methods for preparing consolidated financial statements

(1) Consolidation scope

The consolidation scope for financial statements is determined on the basis of control. The consolidated financial statements comprise the financial statements of the Group and its subsidiaries. A subsidiary is an enterprise or entity controlled by the Group.

(2) Consolidation process

The Group incorporates all of the subsidiaries and structured entities under its control into the consolidated financial statements.

For any difference occurring in accounting policies and accounting periods between the Company and its subsidiaries when preparing consolidated financial statements, necessary adjustments shall be made based on accounting policies and periods of the Company.

The company prepares consolidated financial statements based on its own and the subsidiaries' financial statements as well as other relevant information. In the preparation of the consolidated financial statements, the group is identified as an accounting entity to reflect the overall financial position, operating results and cash flow, according to the requirements of the related accounting standards for business enterprises recognition, measurement and presentation, in accordance with the unified accounting policy.

All the subsidiaries in the consolidation scope are as consistent in subsidiary accounting policies, accounting period with the company. If those above are inconsistent, when preparing the consolidated financial statements, it needs to make necessary adjustments according to the company's accounting policies and accounting period.

In the process of consolidation, it is necessary to offset the impact on the consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity which are caused by the occurrence of insider trading between the company and subsidiary and also between each subsidiary. If there is a different opinion on the identity of the same transaction when standing

on the point of the consolidation statement on the enterprise group or which the company and subsidiary are the main bodies of accounts, it need make adjust from the perspective of the enterprise group.

The balance which is formed because that the loss minority shareholders bear in the current period is more than the share of the owner's equity minority shareholders have in the early period, offset the interests minority shareholders have. For the subsidiary acquired in a business consolidation under the same control, the adjustment is made based on its book value in the financial statements with ultimate control. For the subsidiary acquired in a business consolidation instead of under the same control, the adjustment is made based on the fair value of the identifiable net assets on purchasing day.

The acquired in a business combination under the same control subsidiary, with its assets and liabilities (including the ultimate controlling party acquisition of the subsidiaries and the formation of goodwill) adjustment is based on its financial statements on financial statements in the book value of the ultimate control.

For the subsidiary companies under the control of non-identical control, the fair value of the identifiable net assets of the company is adjusted on the basis of the fair value of the net assets.

Where the Group disposed of part of long-term equity investment in the subsidiaries without losing control over of such subsidiaries, in the financial statements, the balance between the income from disposal and the net assets proportion of the subsidiaries entitled by the disposed of long-term equity investment and continually calculated from the purchase day or day of merger is adjusted as the capital stock premium of the capital public reserve and retained earnings is adjusted in case of the capital public reserve not enough for deduction.

Where the Group lost the control over the invested party for such reason as disposing of partial equity investment, the remaining equity was re-measured as per the fair value of such equity on the day of losing controlling right when preparing the consolidated financial statements. The balance between the sum of the consideration from the disposal of equity and the fair value of the remaining equity and the net assets proportion of the subsidiaries entitled by the disposed of long-term equity investment and continually calculated from the purchase day or day of merger is included in the investment income for the period and the goodwill is deducted. Other consolidated income related to the equity investment of the original subsidiary shall be transferred into current investment profit and loss upon losing control.

Where the Group lost control over a subsidiary through multiple transactions and step-by-step disposal of the equity of the subsidiary, and such multiple transactions to a package deal, the

multiple transactions shall be deemed one transaction in which the control in the subsidiary was lost; however, the balance between the disposal price and the net assets proportion of the subsidiaries entitled by the disposed of long-term equity investment prior losing control over the subsidiary was recognized as other comprehensive income and was transferred to the profits and losses of current period at the time of losing control.

7. Classification of joint arrangement and accounting methods for joint operation

The joint arrangement of the Group includes joint operation and joint venture. For jointly operated projects, the Group as a partner recognizes the assets and debts it holds independently and proportionally as well as recognizes the income and expenses as agreed. Where the purchase and sale of an asset during joint operation does not constitute a business, only the part in the profits and losses from the transaction belonging to other partners is recognized.

(1) Category of the joint arrangement

A joint arrangement refers to an arrangement jointly controlled by two participants or above. The Group classifies joint arrangements into joint operations and joint ventures according to its rights and duties in the joint arrangements. A joint operation refers to a joint arrangement where the Group enjoys assets and has to bear liabilities related to the arrangement. A joint venture refers to a joint arrangement where the Group is only entitled to the net assets of the arrangement.

The joint arrangement achieves not through the individual main body should be divided as the joint operation. Individual main body refers to the entity owns the individual distinguishable financial structure, including the individual legal entities and the entities without legal entity qualification but gains the legal permits. The joint arrangement achieves through individual main body is usually divided into the joint venture, but for the joint arrangement with definite evidence vindicates that meet with any condition of the followings and meet with the regulations of the relevant laws and regulations should be divided into joint operation; the legal form of other joint arrangement indicates that, the jointly owned party respectively enjoys the rights and burdens the obligations of the relevant assets and liabilities among the arrangement; the clauses of the contacts of the joint arrangement agrees that, the jointly owned party respectively enjoys the rights and burdens the obligations of the relevant assets and liabilities among the arrangement; other relevant facts and situation indicates that, the jointly owned party respectively enjoys the rights and burdens the obligations of the relevant assets and liabilities among the arrangement, for example, the jointly owned party enjoys almost all of the output related to the joint arrangement and the liquidation of the liabilities of the arrangement constantly depends on the support of the jointly owned party . It's forbidden to regard the jointly owned party which provides the liabilities for the joint arrangement

as it has the responsibility to bear the relevant liabilities. For the jointly owned party takes the responsibility to pay the attributive obligations for the joint arrangement, not be considered to undertake the relevant liabilities related to the arrangement. For the relevant facts and the changes of the situation leads the rights enjoyed and the liabilities undertook amount the joint arrangement change, the Group should re-assess the category of the joint arrangement. For the structured agreement setting various joint arrangements for achieving different activities, the Group respectively recognizes each category of the joint arrangement.

(2) Accounting treatment of joint operations

The following projects related to the interests portion among the joint operation recognized by the Group and be executed according to the regulations of the relevant ASBE: recognizes the assets held alone and the assets joint held by recognizing according to the portion; recognizes the jointly-held assets and jointly-borne liabilities according to the Group's stake in the joint operation; recognizes the income from sale of the Group's share in the output of the joint operation; recognizes the income from sale of the joint operation's outputs according to the Group's stake in it; and recognizes the expense solely incurred to the Group and the expense incurred to the joint operation according to the Group's stake in it.

When the Group, as a joint operator, transfers or sells assets (except for the assets constituting business) to the joint operation, before the assets are sold to a third party, the Group only recognizes the share of the other joint operators in the gains and losses arising from the sale. Where impairment occurs to the assets as prescribed in "The Accounting Standard No. 8 for Business Enterprises - Asset Impairment", the Group shall fully recognizes the loss. When the Group, purchases assets from the joint operation (except for the assets constituting business) to the joint operation, before the assets are sold to a third party, the Group only recognizes the share of the other joint operators in the gains and losses arising from the sale. Where impairment occurs to the assets as prescribed in "The Accounting Standard No. 8 for Business Enterprises - Asset Impairment", the Group shall fully recognize the loss according to its stake in the joint operation for a purchase of assets from the joint operation.

If the Group attributes to the participate party without joint control on the joint operation, if enjoys the relevant assets and undertakes the relevant liabilities of the joint operation, should execute accounting treatment according to the above principles; otherwise, should execute the accounting treatment according to the accounting policies of the measurement of the financial instruments or the long-term equity investment formulated by the Group.

8. Recognition standard for cash and cash equivalents

Cash in the Cash Flow Statement refers to cash in hand and deposits which can be used for payment at any time. Cash equivalents in the Cash Flow Statements refer to short-lived (generally not more than 3 months) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

9. Foreign currency businesses and translation of foreign currency financial statements

(1) Accounting treatments for the translation of foreign currency transactions

The transactions denominated in foreign currency of the Group are converted in the initial recognition at the rate which is approximate to the spot exchange rate on the transaction day, which shall be the spot exchange rate of the beginning of the month when the transaction occurs.

On the balance sheet date, the monetary items denominated in foreign currency are translated to RMB at the spot exchange rate at the balance sheet date, and the balance between the spot exchange rate at the balance sheet date and the rate in the initial recognition or on the last balance sheet date is included in current profits and losses except for 1) the balance from exchange of specific borrowings that is capitalized and included as part of the cost qualifying asset; 2) the balance from exchange of hedge instrument adopted for evading the exchange risks that is treated according to hedge accounting; 3) the balance from exchange arising from the foreign currency non-monetary items available for sale (e.g. the stock) and that arising from the change in the book value of the monetary items available for sale except for amortized cost is recognized as other comprehensive income. Non-monetary items of foreign currency measured by historical cost still adopt spot exchange rate of transaction date for conversion with functional currency amount unchanged. As for the foreign currency non-monetary items measured by fair value, the spot exchange rate on the date when the fair value is confirmed is adopted for conversion. The amount differences between functional currency amount after conversion and the original functional currency amount, processed as fair value changes (including the change in exchange rate), are recognized into current profits and losses or recognized into other comprehensive incomes.

(2) Translation of foreign currency financial statements

The asset and liability items in the balance sheets shall be translated at a spot exchange rate ruling at the balance sheet date. Among the owner's equity items, except the ones as "retained earnings", others shall be translated at the spot exchange rate ruling at the time when they occurred. The income and expense items in the income statements shall be translated at an exchange rate which is determined in a systematic and reasonable way and is approximate to the spot exchange rate (calculated by the average of starting rate and closing rate on the reporting period) ruling at the

transaction date. The foreign exchange difference arisen from the translation of foreign currency financial statements shall be presented separately under the owner's equity in the balance sheet.

Disposal in overseas business, the balance sheet items of other comprehensive income is presented, and the overseas business translation of foreign currency financial statements related to difference from other comprehensive income items into the disposal of profits and losses of the current period; in the disposal of equity investment or other reasons lead to hold environment operating outside the ratio of equity to reduce but not a loss of overseas business control, and the offshore disposal operations in part related to the translation of foreign currency statements difference will belong to minority interests. Do not turn into the profits and losses of the current period. When dealing with overseas operations as an affiliated enterprise or part of the equity of the joint venture, the foreign currency statement translation difference with the overseas operation shall be transferred to the current profit and loss.

10. Financial tools

Financial instruments include financial assets, financial liabilities and equity instruments.

1. Categories of financial Tools

The Company divides the financial assets into four categories: financial assets measured at fair value and their variations are recognized as current gain/loss, including trade financial assets or financial liabilities and recognized directly as financial assets measured at fair value and their variations are recognized as current gain/loss; Investment hold till expiration; loans and account receivable; saleable financial assets. The company divides the financial liabilities into two categories: financial liabilities measured at fair value and their variations are recognized as current gain/loss; other financial liabilities.

2. Recognition and measurement of financial tools

(1) Financial assets and liabilities measured at fair value and their variations are recognized as current gain/loss

The fair value (after deducting of announced but not distributed cash dividend or due but not obtained bond interests) is recognized as initial amount when obtained.

Interests or cash dividends during the period of holding are recognized as investment gains. The fair value will be adjusted and accounted as current gain/loss.

When disposed of, the differences between fair value and initial amount are recognized as investment gains, and thus adjust the gain/loss of fair value.

(2) Account receivable

Receivables are non-derivative financial assets that are not available in the active market and are

fixed or determined by the amount of the recovery.

The receivable debts of selling goods or providing services, and the credits of other companies hold by the company not including the debt which has price in the active market, including accounts receivable, notes receivable, prepaid accounts, other receivables, long-term receivables, etc. The contract or agreement price charging from purchaser should be taken as the initial confirmation amount; if it has the nature of financing, it should be confirmed according to its current value.

When retrieved or disposed of, the difference between the actual received amount and the book value is accounted as current gain/loss.

(3) Investments hold till expiration

The fair value (after deducting of due but not obtained bond interests) plus the related trade expenses are recognized as the initial amount when obtained.

Interest gains will be calculated at amortizing of costs and actual interest rate (the face rate is adopted when the difference between the actual rate and face rate is minor) during the period of holding and accounted as investment gains. The actual rate is recognized when obtained and is not changed in the predictable holding period or applicable shorter period.

When disposed of, the difference between the obtained price and book value is accounted as investment gains.

If the company sells or reclassifies large-amount due investments before the expired date (large amount refers to comparing with the amount before the selling or reclassifying the investments), the company will reclassify the rest of the investments as financial assets for sale, and in the current accounting period or within two complete accounting years, no financial assets will be classified as holding due assets, except for the following situations: the sale date or reclassification date is close to the expired date of the investment (such as three months before the expired), and the change of interest rate has no significant influence on the fair value of the investment; after all the initial principal is mostly recovered according to periodic payments or repay in advance regulated by the contract, the rest part will be sold or reclassified; the sale and reclassification is caused by the independent events which are uncontrollable and unexpected and will not happen anymore.

(4) Saleable financial assets

The fair value (after deducting of announced but not distributed cash dividend or due but not obtained bond interests) plus the related trade expenses is recognized as initial amount when obtained.

Interest or cash dividend occurred during the period of holding is recognized as investment gains. Change of fair value is accounted as capital reserves (other capital reserves) at the end of the term.

When disposed of, the difference between the obtained price and book value is accounted as investment gains.

Meanwhile, the corresponding part of an accumulated change of fair value accounted as owners' equity is transferred into investment gain/loss.

(5) Other financial liabilities

Other financial liabilities are recognized initially at the sum of fair value and related trade expenses. Successive measurement will be on the basis of amortized costs.

(6) Investment hold till expiration by the company to sell or reclassified as available for sale financial assets

If the amount of held to maturity investment disposal or re-classified as other financial assets, are relatively larger than maturity investment all held by the company before sale or re-classification, it is necessary to re-classify the rest of held to maturity investment as available-for-sale financial assets immediately after disposal or sale. However, the following circumstances are excluded:

A. The date of sale or the date of reclassification is relatively close to the date of maturity or redemption date of investment (e.g., within three months prior to the expiration date), and the change in the market interest rate has no significant effect on the fair value of the investment;

B. In accordance with the terms of payment agreed upon in the contract, the enterprise has recovered almost all initial principal;

C. The sale or reclassification is caused by an uncontrollable event that the company is unable to control, which is not expected to recur and is difficult to reasonably predict.

3. Recognition and measurement basis of financial asset transposition

When financial asset transposition occurred, the recognition of this particular financial asset is terminated if almost all the risks and rewards attached to the asset have been transferred to the acceptor. If the financial assets retain all the risks and rewards of ownership of financial assets, they can be confirmed.

When determining whether the transfer of financial assets meet the conditions of confirmation of the above financial assets, the principle of the substance being more important than form should be adopted. The transfer of financial assets can be divided into an overall transfer and part transfer of financial assets. If the transfer of financial assets meets the conditions of terminating confirmation, the following the difference of the two amounts will be included in the current profit and loss: a. The Book value of the financial asset to be transposed; b. The sum of price received due to the transposition, and the accumulation of change in fair value originally accounted as owners' equity (when the asset to be transposed is the saleable financial asset).

The accounting age of the project quality margin shall be calculated from the date when the project quality guarantee period is expired after the completion and acceptance of the project and the date on which the project quality margin is recovered according to the contract; The contract or agreement stipulates the date of receipt of the receivables, and the date of receipt as agreed in the contract or agreement shall be regarded as the starting date of the accounting age.

3) Accounts receivable with the insignificant single amount for which bad debt provision separately accrued

Reason	Receivables which are not significant in single amount and which cannot reflect their risk characteristics in accordance with the provision of bad debts in combination
The method of provision for bad debts	If there is objective evidence that there is impairment, the Group shall confirm the impairment loss and make provision for bad debts according to the difference between the present value of its future cash flow and its book value. If no impairment occurs in a separate test, the impairment test shall be included in accounts receivable withdrawal of bad debt provision by credit risks characteristics to make the impairment test.

If there is objective evidence that the value of the receivables has been restored and is objectively related to the matter on which the confirmation of the loss is based, the impairment loss previously confirmed shall be reversed and recorded into the current profit and loss. However, the book value with no impairment provision of the reversion shall not exceed the amortized cost of the receivables on the reversion date.

12. Loans Loss Reserves

The group uses the allowance method to calculate loans loss reserves.

The loans are divided into asset portfolios according to the risk characteristics from the five-class classification results, and the loan loss provision is calculated according to the asset portfolios. The ratio is as follows:

Category of loans	Withdrawal proportion
Pass	1%
Special mention	2%
Sub standard	25%
Doubtful	50%
Loss	100%

• **13. Inventory**

(1) Inventory classification

The inventories of the Group include raw materials, low-value consumables, goods in process, revolving goods, finished goods, development cost and development product etc.

(2) The method of valuation by which inventories are acquired and issued

Inventory is acquired at the actual cost, including purchase, processing and other costs.

1) Development costs are aggregated according to the project. The larger part of the accumulated expenses of the agent-construction project than the corresponding accumulative financial allocations should be disclosed in Inventory; otherwise, it should be disclosed in Other Current Liabilities. Land for development is recorded at the actual cost of acquisition, in project development, land costs are apportioned in the project development costs according to the proportion of the building area or the projection area, no separate calculating building area or projection area of the part does not apportion the land cost. The public supporting facilities shall be accounted for according to the actual amount. If it can be identified to the specific development project, it should be directly included in the development cost of the development project. If it cannot be directly determined to the specific development project, it should be collected in development cost, and when the public supporting facilities are completed, apportion the cost to the various development projects according to the saleable area.

2) The issuance of raw materials, finished goods and development products is carried forward by the weighted average method.

3) Recognition of net realizable value and withdrawal of provision for falling price of inventory

At the end of every year, the Company shall make an overall checking to inventory, thereafter, the provision for falling price of inventory shall be measured according to its cost or its net realizable value, whichever is lower. Finished goods, merchandise inventories, and available for sale materials which are applied directly for sales of stock inventory, under normal producing process, to the amount after deducting the estimated sale expense and relevant taxes from the estimated sale price of the inventory, the net realizable value has been recognized. Material inventories which need to be processed, under normal producing process, to the amount after deducting the estimated cost of completion, estimated sale expense and relevant taxes from the estimated sale price of produced finished goods, the net realizable value has been recognized. The net realizable value of inventories held for the execution of a sales contract or labor contract shall be calculated on the basis of the contract price. If an enterprise holds more inventories than the

quantities subscribed in the sales contract, the net realizable value of the excessive inventories shall be calculated on the basis of the general sales price.

Ordinarily, the Company shall make provision for falling price of inventories on the ground of each item of inventories. For inventories with large quantity and relatively low unit prices, the provision for falling price of inventories shall be made on the ground of the categories of inventories. For the inventories related to the series of products manufactured and sold in the same area, and of which the final use or purpose is identical or similar thereto, and if it is difficult to measure them by separating them from other items, the provision for falling price of inventories shall be made on a combination basis.

If the factors causing any write-down of the inventories have disappeared, the amount of write-down shall be resumed and be reversed from the provision for the loss of the decline in value of inventories that have been made. The reversed amount shall be included in the current profits and losses.

- 4) Inventory system: Perpetual inventory system
- 5) One-off amortization method for the low-value consumption goods;
- 6) Amortization methods for rental and development product

The products developed by the Group shall not be amortized for temporary rental, when the recognition conditions of investment real estate are satisfied, the inventory should be transferred to the accounting of investment real estate, and the amortization is carried out by the method of average years, the amortization period is 40 years, with an estimated net salvage rate of 5% and an annual amortization rate of 2.38%.

14. Long-Term Equity Investments

The long-term equity investment of the Group includes mainly the investment to the subsidiaries, associated enterprises and joint ventures.

The basis for the Group to define joint control is that all participating parties or the combination of the parties control the arrangement jointly and the policies relevant to the activities of the arrangement must be agreed by such parties.

The Group will be generally deemed to have a significant impact on the invested entity if the Group holds 20% (inclusive) to 50% of voting right of an invested entity directly or indirectly through its subsidiaries. Where the Group holds less than 20% of voting right of an invested entity, the Group's significant impact on the invested entity will depend on whether the Group has its representative in the Board of Director or any similar organ of power of the invested entity, whether the Group participates in the formulation of financial and operating policies of the invested entity,

whether the Group has important deals with the invested entity, whether the Group dispatches management personnel to the invested entity or whether the Group provides the invested entity with key technical data.

Any entity under the control of the Group is the subsidiary of the Group. The long-term equity investment acquired through merging with an enterprise under common control, the book value of the net asset of the acquisition in the consolidated financial statements of the ultimate controller on the day of the merger is taken as the initial investment cost of the long-term equity investment. Where the book value of the net asset of the acquiree on the day of the merger is negative, the cost of the long-term equity investment is recognized as zero.

Where the long-term equity investment is acquired through merging with an enterprise not under common control, the merger cost is taken as initial investment cost. The merger cost is the fair value of the assets given, debt occurred or borne and equity securities issued by the Group for acquiring the controlling right of the acquiree on the day of the merger.

Aside from the above long-term equity investment acquired by the merger of enterprises, long-term equity investment acquired by cash payment adopts the actual paid purchase amount as the investment cost; long-term equity investment acquired by issuance of equity securities adopts the fair value of issued equity securities as the investment cost; long-term equity investment invested by investors adopts the value reached in the investment contract or agreement as the investment cost.

The investment of the Group to the subsidiaries is calculated with cost method, and equity method is applied for joint ventures and associated enterprises.

For the long-term equity investment with cost method applied for subsequent measurement, in case of investment is added, the book value of the long-term equity investment cost is added with the fair value of additional investment cost and resulting transaction expenses. The cash dividend or profit distributed by an investment entity is recognized as a current return on investment based on the distributed amount.

For the long-term equity investment with equity method applied for subsequent measurement, the book value of the long-term equity investment is increased or decreased with the change in the ownership equity of the invested entity. The proportion of net profit or loss of the invested company to be enjoyed or assumed by the Group is confirmed by taking the fair value of recognizable assets of the investee company upon obtaining the investments as the base, and offsetting the proportion of internal transaction profits and losses occurring between the associated enterprises and joint

ventures which is due to the investing enterprise according to shareholding proportion and adjusting the net profit of the invested unit.

For disposal of long-term equity investment, the difference between the book value and the actually received payment shall be recognized into current income. For the disposal of the long-term equity investments which are calculated with equity method and recognized into the owner equity due to the changes in owner equity other than the net profits and losses of the investee company, the part initially recognized into the owner equity shall be carried over to current income and losses in corresponding proportion.

Where losing joint control over or significant impact on the invested entity is a result of such fact as disposing partial equity investment, the remaining equity is calculated as the financial asset available for sale and the balance between the fair value and the book value of the remaining equity on the day of losing joint control or significant impact is included in current profits and losses. For other comprehensive income of the original equity investment recognized with equity method, the basis same as that of the invested entity directly disposing relevant asset or debts is applied for accounting when the equity method is ceased to be used.

Where losing control over the invested entity is a result of disposing partial long-term equity investment and the Group has a common control over or have significant impact on the invested entity by using the remaining equity, the equity method is applied, the balance between the book value and disposal consideration of the disposed of equity is included in the return on investment, and the remaining equity is adjusted as if it was calculated with equity method since the acquiring of such equity. In case the Group cannot have a common control over or have significant impact on the invested entity by using the remaining equity, regulations for financial assets available for sale are applied and the balance between the book value and disposal consideration of the disposed of equity is included in the return on investment, and the balance between the fair value and book value of the remaining equity on the day of losing control is included in current profits and losses.

Impairment of long-term equity investment refers to accounting policy Note III.21 "Impairment of Long-Term Assets" of the Group.

15. Investment Real Estate

The term "investment real estate" refers to the real estate held for generating rent and/or capital appreciation, including the right to use any land which has already been rented, the right to use any land which is held and prepared for transfer after appreciation, and the right to use any building which has already been rented. Besides, the vacant buildings held by the Company for renting are

also presented and listed as investment real estate if the Board of Directors made the written decision to confirm it to be used for renting with no change of the purposes in the short term.

The investment real estate of the Company is regarded as entry value according to its costs. The cost of an investment real estate by acquisition consists of the acquisition price, relevant taxes, and other expenses directly relegated to the asset; the cost of a self-built investment real estate composes of the necessary expenses for building the asset to the hoped condition for use. The Company adopts the cost method in the subsequent measurement of investment property in line with the estimated useful life and the net ratio of remaining value withdrawing depreciation or amortization.

When the usage of investment real estate is changed for being used for its own, the Company will convert the investment real estate into fixed assets or intangible assets from the date of the change. When the usage of real estate used for its own was changed for generating rents or capital appreciation, the Company will convert fixed assets or intangible assets into investment real estate from the date of the change. The book value before converting is taken as entry value after converting when converted.

If an investment real estate is disposed of, or if it withdraws permanently from use and if no economic benefit will be obtained from the disposal, the recognition of it as an investment real estate shall be terminated. The disposal income of investment real estate's sales, transfer, discards, or damage deducting the book value of the investment real estate as well as the relevant taxes shall be included the current profits and losses.

Impairment of investment in real estate refers to accounting policy Note III.21 "Impairment of Long-Term Assets" of the Group.

16. Fixed Assets

(1) Recognized standard of fixed assets

The term "fixed assets" refers to the tangible assets that simultaneously possess the features as follows: they are held for the sake of producing commodities, rendering labor service, renting or business management; and their useful life is in excess of one fiscal year.

(2) The classification, pricing and depreciation method of fixed assets by finance lease

The initial measurement of fixed assets is based on cost and the impact of anticipated disposal costs. When the fixed assets reach the predetermined usable state, the depreciation of fixed assets within the service life shall be calculated from the next month. The Useful life, Expected net salvage value, annual depreciation rate and depreciation methods of various fixed assets are as follows:

Category of fixed assets	Useful life (year)	Expected net salvage value (%)	Annual depreciation (%)	Depreciation method
House and building	30 - 40	3 - 5	2.38 - 3.23	Straight-line depreciation
General equipment	10 - 20	3 - 5	4.75 - 9.70	Straight-line depreciation
Transportation equipment	6 - 12	3 - 5	7.92 - 16.17	Straight-line depreciation
Office equipment	5 - 10	3 - 5	9.50 - 19.40	Straight-line depreciation
Electronic equipment	5	3 - 5	19.00 - 19.40	Straight-line depreciation
Other equipment	4 - 6	3 - 5	15.83 - 24.25	Straight-line depreciation

(3) Impairment of fixed assets refers to accounting policy Note III.21 "Impairment of Long-Term Assets" of the Group.

(4) Others

The subsequent expenses which meet the recognition condition of fixed assets are recorded into the cost of fixed assets, otherwise included in the current gains and losses.

When a fixed asset is disposed of or it is not expected to generate any economic benefits through its use or disposal, the fixed asset is derecognized. The amount of disposable income of disposal, transfer, scrapping or damage of fixed assets after deducting the book value and related taxes and fees shall be included in the current profits and losses.

The group shall review the service life, expected net residual value and depreciation method of fixed assets at least at the end of the year. Any change shall be treated as an accounting estimate change.

17. Construction in Progress

The valuation of the construction in progress: recognizes the engineering cost according to the cost actual occurred. The cost of construction in progress also includes the borrowing expenses and exchange gains and losses which should be capitalized.

The company should transfer the construction in progress into fixed assets when the construction in progress is ready for their intended use. If the built construction had reached the state ready for intended use but had not settled the fixed assets of completion settlement, should recognized as fixed assets according to the estimated value as well withdrew and depreciated; after executing the completion settlement procedure, it should adjust the original provisional estimate value according to the actual cost but not the original withdrew depreciation amount.

Impairment of construction in progress refers to accounting policy Note III.21 "Impairment of Long-Term Assets" of the Group.

18. Borrowing Expenses

Borrowing expenses include interest, amortization of discount or premium, auxiliary expenses, translation differences arising from borrowings in foreign currency etc. The Company starts to capitalize the borrowing expenses in direct connection to purchase, construction or production of the assets that meet capitalization conditions when there are assets expenditures and borrowing expenses incurred and/or the Company starts all the necessary events to purchase, construct or produce such assets till the assets can be used and sold. Other borrowing expenses are recognized as costs when incurred.

The Company capitalizes the actual interest expense incurred by use of special borrowings, minus the interest income from the remaining borrowing funds in the bank or any investment income earned from the interim investment of those borrowings; and for general borrowings, the amount to capitalize is the weighted average of the accumulated assets expenditures in excess of the special borrowings times the capitalization rate of the used general borrowings, which is determined by the weighted average interest rate of the general borrowings.

During capitalization, all translation differences of special borrowings in foreign currency should be capitalized while those of general borrowings in foreign currency are recorded in current profit and loss.

The qualifying assets to be capitalized are fixed assets, investment properties and inventories which need to be acquired, constructed or produced through a long period of time, in order to become ready for its intended use or sale.

The Company stops capitalization of borrowing costs if an abnormal interruption of more than 3 consecutive months occurs during purchase, construction or production of the assets that are eligible to capitalization till all those restarts.

For the special loan borrowed for the purchase or production of assets eligible for capitalization, the amount of the borrowing costs incurred in the current period of a special loan, minus the amount of interest earned in the bank on unused borrowed funds or the return on the investment obtained by a temporary investment, to determine the amount of capitalization of borrowing costs.

If general borrowings are used to purchase, construct or produce the capitalization eligible assets, the borrowing cost to capitalize is the weighted average of the accumulated assets expenditures in excess of the special borrowings times the capitalization rate of the used general borrowings, which is determined by the weighted average interest rate of the general borrowings.

19. Intangible Assets

The Company makes initial measurements on intangible assets in terms of the costs and determines the useful life when obtaining the assets. For intangible assets of a limited useful life, from the time the assets are available for use, the Company adopts the amortization method that reflects realization of the expected economic benefits, or the straight-line amortization method if unable reliably to determine how to realize the expected economic benefits; and no amortization are made for intangible assets of an unlimited useful life.

At the end of each year, the Company reviews the useful life and amortization methods of intangible assets of a limited useful life and makes adjustments and accounting treatment if different from the previous estimates.

For the intangible assets that are estimated to produce no more economic benefits in the future, the Company records the book value of such assets all in current profit and loss.

Intangible assets with uncertain service life shall be explained the judgment basis for the uncertainty of service life, and be explained the procedures for reviewing the useful life of the intangible assets during each accounting period, as well as the results of impairment tests for the intangible assets.

Impairment of intangible refers to accounting policy Note III.21 "Impairment of Long-Term Assets" of the Group.

20. Long-Term Unamortized Expenses

Long-term unamortized expenses are valued at the actual costs and amortized at average in an estimated beneficial period of time. If those cannot benefit the Company in future accounting periods, the remaining will be recorded all in current profit and loss.

21. Impairment of Long-Term Assets

On balance sheet dates, the Company determines whether there are impairments occurring to fixed assets, construction in progress, intangible assets of a limited life, investment properties measured in the cost model as well as non-current and non-financial assets like the long-term equity investments on subsidiaries, joint ventures and associated companies. If impaired, the Company estimates the retrievable amount and conducts an impairment test. Impairment tests need to be done on goodwill, intangible assets of an unlimited life and the intangible assets that are not yet to reach the usable status, no matter they are impaired or not.

If the impairment test result shows the retrievable amount lower than the book value, impairment provisions will be set aside and recorded the impairment loss. The retrievable amount is the fair value of the assets minus the disposal expenses or the present value of the estimated future cash flows of the assets, whichever is higher. The fair value of the assets is determined in terms of the

price specified in the selling agreement that is fair trade; if no selling agreement but there is an active asset's market existing, it is determined in terms of the buyer's offer; and if no selling agreement and active assets market, the fair value can be estimated based on the best available information. Disposal expenses include all related legal charges, taxes, delivery fees or the direct expenses incurred to have the assets reach the usable or sellable status. To determine the present value of the estimated future cash flows from the assets, the Company chooses an appropriate discount rate in the light of the continual usage of the assets and the estimated future cash flows occurring upon final disposal. Impairment provisions of the assets are calculated and recognized on the basis of individual assets. If unable to estimate the retrievable amount of individual assets, the Company determines the amount by reference to the asset group that includes the individual assets. Asset groups are the minimum assets combination that independently produces cash inflows.

For the goodwill separately listed in financial statements, while an impairment test being conducted, the book value is apportioned to the asset groups or combination of asset groups expected to benefit from the synergy effects arising from business combinations. The Company recognizes impairment losses when the test result shows that the retrievable amount of the asset groups or combination of asset groups is lower than their book values. The impairment loss will be first used to write down the book values of the asset groups or combination of asset groups and then those of other assets pro rata.

Once the aforesaid impairment losses are recognized, they cannot be reinstated in the future.

22. Payroll

Payroll refers to the remuneration or compensation paid by the Group in various forms for the acquisition of services provided by employees or severing labor relations, which includes short-term compensation, welfare demission, dismissal welfare, and other welfare of the long-term employees.

(1) Short-Term Compensation

Short-term compensation refers to the payroll payment of the employee providing service during the end of Reporting Period within 12 months that the Group should pay, excepting the welfare after demission and termination benefits. During the accounting period that the employees providing the service, should be calculated and recognized the corresponding payroll amount according to the stated withdrawal basic and proportion.

(2) Post-employment Benefit

Post-employment Benefit, is to obtain services provided by employees, provide all kinds of rewards and benefits after the retirement of the employees or cancellation of staff employment contracts, excepting short-term compensation and retirement benefits.

All of the Group's Post-employment Benefit plans are setting drawing plans.

The setting drawing plan of Post-employment Benefit is the social basic pension insurance, unemployment insurance, etc, which implemented by the local labor and social security offices. In addition to social basic pension insurance and unemployment insurance, the Group participated in corporate pension scheme. In the framework of Corporate Pension Scheme, employees can voluntarily take part in the pension plan before January 1, 2017, according to the corporate pension scheme of Implementing Rules for China Paper Corporate Pension Scheme. During the accounting period that the employee providing service for the Group, the amount should pay in line with the setting drawing plan will be recognized as liabilities and record into current profits or losses or cost of relevant assets.

Apart from regularly making the aforesaid payments pursuant to the government's standards and the annuity fund plan, the Group bears no responsibility for other payments in this respect.

(3) Dismiss welfare

welfare refers to the Group's cancellation of the labor relationship with the employees before the labor contract maturity or compensation for encouraging the employee voluntarily accept reduction, when the Group is unable to unilaterally withdraw the plan on the cancellation of labor relationship or the layoff proposal, or when recognizing the costs or expenses (the earlier one between the two) related to the reorganization of paying the dismissal welfare, should recognize the payroll liabilities from the dismiss welfare and include in the current gains and losses.

(4) Other Welfare of the Long-term Employees

Other welfare of the long-term employees refers to other welfares excluding short-term compensation, welfare after demission and demission welfare.

23. Bonds Payable

Non-convertible corporate bonds issued by the group shall be treated as liabilities in accordance with the amount actually received (excluding relevant transaction costs); Bond issuance difference between the actual amounts received and total face value of bonds, as the bond premium or discount, and amortize according to the actual interest rate and the principles of management of the borrowing costs.

24. Estimated Liabilities

(1) Recognition Standard of Estimated Liabilities

The obligation pertinent to the Contingencies shall be recognized as estimated liabilities when the following conditions are satisfied simultaneously: The obligation is a current obligation of the Company; It is likely to cause any economic benefit to flow out of the Company as a result of performance of the obligation; and The amount of the obligation can be measured in a reliable way.

(2) Measurement Method of Estimated Liabilities

The estimated debts shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation.

To determine the best estimate, an enterprise shall take into full consideration of the risks, uncertainty, time value of money, and other factors pertinent to the Contingencies. If the time value of money is of great significance, the best estimate shall be determined after discounting the relevant future outflow of cash.

The best estimate shall be conducted in the light of the following situations:

If there is a sequent range for the necessary expenses and if all the outcomes within this range are equally likely to occur, the best estimate shall be determined in accordance with the middle estimate (average number of bound) within the range.

If there is not a sequent range for the necessary expenses, or although there is a sequent range for the necessary expenses but all possible outcomes are not the same within the scope, i.e. If the Contingencies concern a single item, best estimate shall be determined in the light of the most likely outcome; If the Contingencies concern two or more items, the best estimate should be calculated and determined in accordance with all possible outcomes and the relevant probabilities. When all or some of the expenses necessary for the liquidation of estimated debts of an enterprise is expected to be compensated by a third party, the compensation should be separately recognized as an asset only when it is virtually certain that the reimbursement will be obtained. The amount recognized for the reimbursement should not exceed the book value of the estimated debts.

25. Unearned Premium Reserve and Guarantee Compensation Reserve

The Group shall set aside unearned premium reserve according to 50% of current guarantee income. While when the guaranteed period expired, the Group switched back the corresponding unearned premium reserve.

The Group shall draw the guarantee compensation reserve at the rate of 1% of the balance of guarantee liability at the end of the year. When the accumulated guarantee compensation reserve reached 10% of the balance of guarantee liability in the current year, the Group shall set aside the difference. For the compensatory projects, the Group shall draw the guarantee compensation reserve in accordance with case-by-case estimation method.

26. Revenues

(1) Sale of goods

The significant risks and rewards of ownership of the goods have been transferred to the buyer by the enterprise; The enterprise retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods; The relevant amount of revenue can be measured in a reliable way; The relevant economic benefits may flow into the enterprise; and the relevant costs incurred or to be incurred can be measured in a reliable way.

1) When the following conditions occur simultaneously, confirm the realization of sales revenue of development product

Completed and accepted, signed the sales contract and performed the obligations stipulated in the contract; the amount of income can be measured reliably; the associated economic benefits are likely to flow in; the cost of the project has occurred or will occur can be reliably measured.

2) Installment sales method

When the development product is completed and accepted, signed the installment sales contract and performed the obligations stipulated in the contract, the amount of income can be measured reliably, the associated economic benefits are likely to flow in and the cost of the project has occurred or will occur can be reliably measured. The company shall determine the amount of revenue based on the fair value of the contract price receivable, the difference between the contract price and the fair value of the contract price should be amortized in accordance with real interest rate method and included in the current profit or loss.

(2) Agent-construction project

The Group accepts the agent-construction project entrusted by Chengdu Hi-Tech Industrial Development Zone Management Committee and confirms the working funds according to the agreed ratio.

If the Group accepts the agent-construction project entrusted by other entity, the working funds shall be confirmed according to the ratio agreed in the contract between the two parties.

(3) Rental property

Confirm the realization of the income of the leased property according to the lease date (the rent-free period with consideration of the rent-free period) and the rental amount agreed in the agreement or contract.

(4) Providing labor services

If the Company can, on the date of the balance sheet, reliably estimate the outcome of a transaction concerning the labor services it provides, it shall recognize the revenue from providing

services employing the percentage-of-completion method. Schedule of completion under the transaction concerning the providing of labor services shall be recognized in the light of the measurement of the work completed.

The reliably estimate the outcome of a transaction concerning the labor services it provides, which simultaneously meets the following conditions: 1) the amount of revenue can be measured in a reliable way; 2) relevant economy profits may inflow enterprises; 3) the schedule of completion of the transaction can be measured in a reliable way; 4) the cost occurred or will occur in the transaction can be measured in a reliable way.

The Company shall ascertain the total revenue from the providing of labor services in accordance with the received or to-be-received price of the party that receives the labor services as stipulated in the contract or agreement unless the received or to-be-received price as stipulated in the contract or agreement is unfair. The Company shall, on the date of the balance sheet, ascertain the current revenue from providing labor services in accordance with the amount of multiplying the total amount of revenues from providing labor services by the schedule of completion then deducting the accumulative revenues from the providing of labor services that have been recognized in the previous accounting periods. At the same time, the enterprise shall carry forward the current cost of labor services in accordance with the sum of multiplying the total amount of revenues arising from the providing of labor services by the schedule of completion and then deducting the accumulative revenues from the providing of labor services.

If the Company can't, on the date of the balance sheet, reliably estimate the outcome of a transaction concerning the labor services it provides, it shall be handled under the following conditions: 1) if the cost of labor services incurred is expected to be compensated, the revenue from the providing of labor services shall be recognized in accordance with the amount of the cost of labor services incurred, and the cost of labor services shall be carried forward at the same amount; 2) if the cost of labor services incurred is not expected to compensate, the cost incurred should be included in the current profits and losses, and no revenue from the providing of labor services may be recognized.

If the contracts the Company sign with other enterprises include the sale of goods and rendering of service, and both of them can be separated and individually calculated, deal with them separately. For those sales of goods and rendering of service cannot be separated, or thought can be separated but not be individually calculated, consider sale of goods and rendering of service as the sale of goods.

(5) Guarantee

When the guarantee contract has been signed and the economic benefits related to the transaction are likely to flow into the enterprise, the Group recognizes the realization of the income.

The Group shall confirm the guaranteed income in accordance with the rate of fee agreed upon in the guarantee contract signed with the guarantor.

According to the approval of Chengdu High-Tech Zone Economic and Trade Development Bureau (Chenggao Jingfa [2007] No. 96), the Group should appoint the guarantee fee within 50% of the benchmark lending rate of the people's bank of China.

(6) Working funds of angel funds

The group shall, in accordance with the relevant management measures issued by the Chengdu Hi-Tech Industrial Development Zone Management Committee, withdraw the management fee to confirm the income.

(7) Interest income

The group should recognize the income based on the real interest rate and the time of others using the Group's monetary funds.

(8) Other income

Signed the contract; the amount of income can be measured reliably; the associated economic benefits are likely to flow in; the cost of the project has occurred or will occur can be reliably measured.

27. Construction Contract

In the event that the results of the construction contract can be reliably estimated, the contract income and contract costs shall be recognized on the balance sheet date in accordance with the percentage of completion method. The progress of the contract shall be determined according to the ratio of the accumulated actual contract cost to the estimated total contract cost or the proportion of the completed contract workload to the estimated total contract workload.

As the result of a construction contract cannot be estimated reliably, but the contract costs be can be recovered, contract revenue shall be recognized according to the actual contract costs, the contract costs shall be recognized as contract expenses in the current; If the contract cost is impossible to be recovered, it shall be immediately recognized as the contract cost and the contract revenue shall not be recognized. Where there is no longer an element of uncertainty that makes the results of a construction contract unreliable, the income and expenses related to the construction contract shall be determined in accordance with the percentage of completion method.

If the total estimated cost of the contract exceeds the total revenue of the contract, the estimated loss shall be recognized as the current cost.

28. Lease

A lease transferring all risks and remuneration related to the ownership of the leasing assets through lease articles in nature is a financing lease. Others are operating leases.

(1) Accounting Treatment of Operating Lease**A. Operating Leasing Assets**

Rent charge paid for leasing assets shall be apportioned at the straight-line method and recorded into the current expense within the overall rent period including rent-free period. The initial direct expense paid by the Company related to lease transaction shall be included into the current expense.

Where the lessor undertakes the expenses related to the lease that should be undertaken by the Company, the Company shall deduct such expense from total rental, and such deducted rental fee shall be apportioned within the rent period and included into the current expense.

B. Operation Renting out Assets

Rent charge received for renting out assets shall be apportioned at the straight-line method and recognized as rental income within the overall rent period including the rent-free period. The initial direct expense paid by the Company related to lease transaction shall be included into the current expense. In the event of the larger amount, it shall be capitalized and recorded in the current income by installment within the overall lease period.

Where the Company undertakes the expenses related to the lease that should be undertaken by the lessor, the Company shall deduct such expense from total rental income, and such deducted rental fee shall be apportioned within the rental period.

(2) Accounting Treatments of Financial Lease

A. Assets acquired under finance leases: On the lease beginning date, the Company shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognize the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges.

The unrecognized financing charges are amortized over the lease term and recorded into finance costs adopting the effective interest rate method.

B. Assets lost under finance leases: On the lease beginning date, the Company shall recognize the difference between financing lease receivables and the unguaranteed residual value in a finance lease as unrealized financing income and recognize as income of lease during the future period of receiving lease income. The initial direct cost related to lease transaction occurred in the Company,

record into an initial calculation of financing lease receivables, decrease the amount of lease income recognized during the lease period.

29. Government Subsidy

Government subsidy refers to the group's acquisition of monetary assets and non-monetary assets free of charge from the government, excluding the capital invested by the government as the owner. Government subsidy is divided into government subsidy related to assets and government subsidy related to income.

When government subsidies are monetary assets, they shall be measured according to the amount received or receivable. When government subsidies are non-monetary assets, they shall be measured at fair value. If the fair value cannot be obtained reliably, it shall be measured in nominal amount. Government subsidies measured in the nominal amounts shall be directly included in current profits and losses.

Government subsidy related to assets shall be recognized as deferred income and shall be included in profit and loss in a reasonable and systematic way in the service life of relevant assets. If the relevant assets are sold, transferred, scrapped or damaged before the end of their service life, the balance of the relevant deferred income that has not been distributed shall be transferred to the profit and loss of the current period of asset disposal.

Government subsidy related to income shall be accounted in accordance with the following provisions: (1) Used for compensating the related cost expenses or losses in enterprise's later period, shall be recognized as deferred income, and be recorded into the profits and losses of the current or write down related costs when confirm the related expenses or losses; (2) Used for compensating any relevant costs or losses incurred by the enterprise, it shall be directly included in the current profits and losses or write down related costs.

Policy preferential loan discount interest obtained by the Group shall be accounted in accordance with the following provisions: (1) If the government allocates the discount interest funds to the loan bank, the Group shall take the actual amount of loans received as the value of the loan into account and calculate the borrowing costs according to the loan principal and the preferential interest rate; (2) If the government allocates the discount interest funds to the Group, the corresponding discount interest shall be offset against the relevant borrowing costs.

For the government subsidies that including both the asset-related part and the income-related part, different parts shall be classified for accounting treatment respectively. If it is difficult to distinguish, it shall be classified as a government subsidy related to income as a whole.

If the government subsidy that has been confirmed needs to be returned, the accounting treatment shall be carried out in accordance with the following provisions in the case of the current period in which the return is required: (1) If the book value of relevant assets is written down at the initial confirmation, the book value of assets shall be adjusted; (2) If there is relevant deferred income, the book balance of relevant deferred income shall be written off, and the excess shall be included in the current profit and loss; (3) In other cases, it shall be directly included in the profits and losses of the current period.

Government subsidies related to the daily activities of enterprises shall be included in other income or offset related costs according to the nature of the economic business. Government subsidies unrelated to the daily activities of enterprises shall be included in the non-operating income and non-operating expenses.

30. Income Tax Expenses

The income tax expenses include current income tax and deferred income tax

(1) Current Income Tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

(2) Deferred Tax Assets and Deferred Tax Liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax is generally recognized for all temporary differences. Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of the transaction, no deferred tax asset or liability is recognized.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realized or the liability is settled.

Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in other comprehensive income or in shareholders' equity, in which case they are recognised in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

(3) Net off of Income Taxes

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

31. Changes in Main Accounting Policies and Estimates

(1) Change of accounting policies

1) The Ministry of Finance issued the "Provisions Concerning the Accounting Treatments on Value-Added Tax" (Caishui [2016] No. 22), which specifies that: After full trial implementation of

the proposals "Change from Business Tax to Value-added Tax", the "Business Taxes and Surcharges" item is adjusted as "Taxes and Additional" item which calculates the consumption tax, urban maintenance and construction tax, resource tax, education surcharges and property tax, land use tax, vehicle and vessel use tax and stamp tax.

The Company has adjusted the amount of the items that are presented in financial statements such as the balance sheet and the income statement and affected by the "Provisions Concerning the Accounting Treatments on Value-Added Tax" in relation to transactions between May 1, 2016, and the date of implementation of the provisions as specified thereof, including adjustment of the property tax, land use tax, vehicle and vessel use tax and stamp tax from "administration expense" item to "tax and surcharge" item. However, as for the transactions between January 1, 2016 and April 30, 2016, no adjustment will be made. Besides, no adjustment will be made to the financial statements in the previous comparable period.

The above change in accounting policy increases tax and surcharge by RMB 5,537,029.45 yuan, reduces administration expense by RMB 5,537,029.45 yuan, Disclosure will be made in accordance with the new regulations in 2017.

2) On May 28, 2017, the Group implemented "The Accounting Standards for Enterprises No. 42 - Non-Current Assets Held for Sale, Disposal Group, and Operation Termination" which was announced by Ministry of Finance. On June 12, 2017, the Group implemented "The Accounting Standards for Enterprises No. 16 - Governmental Subsidies" which was announced by Ministry of Finance. The above changes in accounting policies shall be handled by the prospective application.

3) The Group prepared the consolidated financial statements based on "Notice on the Revision of the Format of General Enterprises Financial Statement" (Caishui [2017] No.30). The Company added the "asset disposal income" in the profit statement. This change in accounting policy adopts the method of retrospective adjustment approach, which reduces the non-operating income of 2015 by RMB 2,965.44 yuan, reduces the non-operating expenses of 2015 by RMB 23,486,512.43 yuan, and increases the asset disposal income of 2015 by RMB -23,483,546.99 yuan. It reduces the non-operating income of 2016 by RMB 1,370,331.02 yuan, reduces the non-operating expenses of 2016 by RMB 57,238.31 yuan, and increases the asset disposal income of 2016 by RMB 1,313,092.71 yuan.

In addition, the group has no accounting policy change need to disclose.

(2) Changes in accounting estimates

1) The accounting estimate change in bad debt provision of accounts receivable of subsidiary Chengdu Hi-Tech Development Co., Ltd.

In 2016, Chengdu Hi-Tech Development Co., Ltd changed the accounting estimate of accounts receivable, the details are as follows:

The accounting estimate before the change:

A. Accounts receivable with significant single amount for which bad debt provision separately accrued

The judgment standard	Top 5 of the closing balance of accounts receivable collected according to the arrears party
The method of provision for bad debts	If there is objective evidence that there is impairment, the Group shall confirm the impairment loss and make provision for bad debts according to the difference between the present value of its future cash flow and its book value. If no impairment occurs in a separate test, the impairment test shall be included in accounts receivable withdrawal of bad debt provision by credit risks characteristics to make the impairment test.

B. Accounts receivable withdrawal of bad debt provision by credit risks characteristics

Type of combination	Withdrawal method
Aging combination	Aging analysis method

Continued:

Aging	Withdrawal proportion
Within 1 year	0%
1 to 2 years	10%
2 to 3 years	25%
Over 3 years	50%

C. Accounts receivable with insignificant single amount for which bad debt provision separately accrued

Reason	Receivables which are not significant in single amount and which cannot reflect their risk characteristics in accordance with the provision of bad debts in combination
The method of provision for bad debts	If there is objective evidence that there is impairment, the Group shall confirm the impairment loss and make provision for bad debts according to the difference

	between the present value of its future cash flow and its book value. If no impairment occurs in a separate test, the impairment test shall be included in accounts receivable withdrawal of bad debt provision by credit risks characteristics to make the impairment test.
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The accounting estimates after the change:

Please refer to note III.11.(3) for the details.

The above change of accounting estimate adopts prospective application method, which increases both net profit attributable to owners of the Company and equity attributable to owners of the Company by RMB 7.74 million.

2) The accounting estimates change in bad debt provision of accounts receivable of second-level subsidiary Mianyang Brilliant Construction and Development Co., Ltd. and Chengdu Hi-Tech Investment Century Property Services Co., Ltd.

Mianyang Brilliant Construction and Development Co., Ltd. and Chengdu Hi-Tech Investment Century Property Services Co., Ltd. were subsidiaries of Chengdu Hi-Tech Development Co., Ltd. In 2016, they were transferred to be subsidiaries of Chengdu Hi-Tech Investment Group Co., Ltd. Therefore, the above subsidiaries changed their accounting estimate of accounts receivable to what the Company adopts.

The accounting estimate of accounts receivable before the change refers to Note III.31.(2).1).

The accounting estimate of accounts receivable after the change refers to Note III.11.(1) and Note III.11.(2).

The above change in accounting estimate adopts the prospective application method, which increases both net profits attributable to owners of the Company and owners' equity attributable to the parent company of the Company by RMB 15.64 million.

3) Subsidiary Chengdu Chengxin Semiconductor Manufacturing Co. Ltd. used USD as its reporting currency. Since the whole assets transferred, there were important changes in business environment, Chengxin Co. used RMB for most of the credits and debts and daily spending, therefore, taking RMB as its functional currency can reflect more major economic result of the deal, to provide a more reliable and relevant accounting information. Chengxin Co. has changed its reporting currency to RMB since October 1, 2016.

The above change of reporting currency adopts the prospective application method, which increases net profit attributable to owners of the Company by RMB 24.24 million. It has no influence on owners' equity attributable to the parent company and the cash flow of the Company.

In addition, the Group has no accounting estimate change need to disclose.

IV. Taxation

(1) Main Taxes and Tax Rate

Category of taxes	Tax basis	Tax rate
Value-added tax (VAT)	The output tax is calculated based on the revenue from sales of goods and the provision of taxable labor services according to tax law, and value added tax payable should be the balance of the Output tax for the period after deducting the deductible input tax for the period.	3%, 5%, 6%, 11%, 13%, 17%
Business tax	Levied based on the taxable income (Since May 1, 2016, the Business tax changes to Value-added tax)	3%、 5%
Urban maintenance and construction tax	Levied based on the actual payment of business tax, VAT and consumption tax	1%, 5%, 7%
Enterprise income tax	Levied based on the taxable income	15%, 25%
Land value-added tax	Levied based on added value	30% - 60%
Housing property tax	Levied based on the 70% of the original value of the housing or rental income as tax base	12%, 1.2%
Land-use tax	Levied based on the actual occupied area and the unit tax amount approved by the tax authorities	

(2) Tax Preference Policies and Basis

1) According to stipulation of “Notice of the State Administration of Taxation of the People’s Republic of China on the implementation of preferential income tax for venture capital enterprises” (Guoshuifa [2009] No.87) and “Circular of Ministry of Finance and State Administration of Taxation of the People’s Republic of China on the implementation of preferential policies on enterprise income tax” (Caishui [2009] No.69), Chengdu Hi-Tech Investment Venture Capital Co., Ltd, a first-level subsidiary, invests in unlisted small and medium-sized high-tech enterprises and deducts 70% of the taxable income in the year when the equity has been held for two years. If the current year is insufficient, the deduction may be carried forward in the subsequent tax year.

2) According to stipulation of “Circular of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation of the People’s Republic of China on taxation policy issues related to the in-depth implementation of the western development strategy” (Caishui [2011] No.58), From January 1, 2011 to December 31, 2020, the enterprise income tax shall be

levied at a reduced rate of 15% for the encouraged industrial enterprises in western China, and according to the Chengdu Economic and Information Commission's paper [2012] No.684, the main business of Chengdu Hi-Tech Investment Financial Guarantee Co., Ltd. was recognized as encouraged industrial project, the enterprise income tax shall be levied at a reduced rate of 15%.

3) According to Chengdu Economic and Information Commission's paper [2014] No.757, the main business of second-level subsidiary Chengdu Hi-Tech Investment Century Property Services Co. Ltd. was recognized as an encouraged industrial project, the enterprise income tax shall be levied at a reduced rate of 15% from 2014 to 2018.

4) According to "Notice of the State Administration of Taxation on printing and distributing the administrative measures on tax rebate (exemption) for export goods (trial)" (Guoshuifa [2005] No.51), Chengdu Chengxin Semiconductor Manufacturing Co. Ltd., a first-class subsidiary, sells products without VAT and additional taxes.

5) According to "Notice on the trial of replacing business tax with VAT" (Caishui [2016] No.36) issued by Ministry of Finance and State Administration of Taxation, In the consolidated loan repayment business, the interest charged by the Company to its subordinate units shall be exempted from VAT at a rate not higher than the borrowing rate paid to the financial institution or the coupon rate paid to the bond.

V. Notes to the Consolidated Financial Statements

(Expressed in RMB Yuan unless otherwise indicated)

In order to simplify the disclosure of information, the unit within the Group's merger scope uses the following abbreviation: "Chengdu Hi-Tech Investment International Trade Co., Ltd." is called "CDHTI International Trade Co."; "Chengdu Hi-tech District Tuoxin Industry Investment Co., Ltd." is called "Tuoxin Co."; "Chengdu Hi-Tech Investment Asset Management Co., Ltd." is called "CDHTI Asset Management Co."; "Chengdu Hi-Tech Investment Real Estate Co., Ltd." is called "CDHTI Real Estate Co."; "Chengdu Hi-tech Investment Financial Guarantee Co., Ltd." is called "CDHTI Guarantee Co."; "Chengdu Hi-Tech Investment Construction and Development Co., Ltd." is called "CDHTI Construction Co."; "Chengdu Hi-Tech Investment Venture Capital Co., Ltd." is called "CDHTI Venture Co."; "Chengdu Hi-Tech Winpower Investment and Development Co., Ltd." is called "CDHTI Winpower Co."; "Chengdu Tianfu Software Park Co., Ltd." is called "Tianfu Software Park Co."; "Chengdu Hi-Tech Investment Sports Management Co., Ltd." is called "CDHTI Sports Co."; "Chengdu Hi-tech Investment Technology Microfinance Co., Ltd." is called "CDHTI Microfinance Co."; "Chengdu Hi-Tech Development Co., Ltd." is called "Hi-Tech Development Co."; "Chengdu Chengxin Semiconductor Manufacturing Co. Ltd." is called "Chengxin Co."; "Chengdu Hi-Tech Investment Biological Medicine Park Management Co., Ltd." is called "Biological Medicine Park Co."; "Chengdu Yingkai Investment Co., Ltd." is called "Yingkai Co."; "Chengdu Gexin Engineering Project Management Co., Ltd." is called "Gexin Co."; "Chengdu Hi-Tech Investment Techno Park Property Management Co., Ltd." is called "CDHTI Property Co."; "Chengdu Hi-Tech Investment Long Island Real Estate Co.,

Ltd." is called "CDHTI Long Island Co."; "Mianyang Brilliant Construction and Development Co., Ltd." is called "Mianyang Brilliant Co."; "Chengdu Hi-Tech Investment Century Property Services Co., Ltd." is called "Century Property Co."

1. Monetary Funds

Item	December 31, 2017.	December 31, 2016.
Cash	460,244.61	550,974.67
Including: RMB	460,244.61	550,974.67
Bank deposits	5,509,486,872.05	5,661,030,808.45
Including: RMB	5,507,345,358.72	5,658,748,956.18
USD	2,141,513.33	2,281,852.27
Other monetary funds	770,184,336.10	231,451,056.25
Including: RMB	770,184,336.10	231,451,056.25
Total	6,280,131,452.76	5,893,032,839.37

Note 1: Among the balance of bank deposits at the end of 2017, Brilliant Futures Co., Ltd., a subsidiary of CDHTI Development Co., holds RMB 1.06 billion as customer futures margin deposit. CDHTI Winpower Co. holds 2.04 million as Sichuan SMEs development specific fund, which was used for improving SMEs' financing environment, and it was regulated by the disburser and the bank. Besides, The Company has RMB 190.7 thousand, CDHTI Real Estate Co. hold RMB 210.83 million and CDHTI Construction Co. owns RMB 321.5231 million as the special account fund of the agent construction project.

Note 2: Other monetary funds were mainly including call deposits, bank's acceptance bill deposite, mortgage deposite and fixed-term deposite.

Note 3: Among the balance of other monetary funds at the end of 2017, the Company holds RMB 50 million and its interest RMB 263.5 thousand as "Science and Technology" Credit Product Risk Reserve, RMB 20 million and its interest RMB 187.2 thousand as "Expand Loan" Credit Product Risk Reserve. CDHTI Winpower Co. owns RMB 18 million and its interest RMB 57.7 thousand as "Growth Loan" Special Risk Compensation. The above amounts were all restricted to use right. Besides, CDHTI Real Estate Co. has a margin deposit of RMB 4.05 million for customers' mortgage loans, and Mianyang Brilliant Co., a second-level subsidiary, has a margin deposit of 1.18 million for customers' mortgage loans.

2. Financial Assets Measured by Fair Value and the Changes Included in the Current Gains and Losses

Item	December 31, 2017.	December 31, 2016.
tradable financial assets : equity	42,292.86	56,186,516.10

Item	December 31, 2017.	December 31, 2016.
instruments		
Total	42,292.86	56,186,516.10

Note: Equity instruments held at the end of 2017 were stock investments.

3. Notes Receivable

(1) Notes receivable listed by category

Item	December 31, 2017.	December 31, 2016.
Bank acceptance bill	4,643,372.43	
Commercial acceptance bill		
Total	4,643,372.43	

(2) There was no pledged notes receivable at the end of the 2017.

(3) Notes receivable which had endorsed or discounted by the Group and had not due on the balance sheet date at the end of the 2017.

Item	Derecognized amount at the end of the 2017.	Non-derecognized amount at the end of the 2017.
Bank acceptance bill	482,875.36	
Total	482,875.36	

4. Accounts Receivable

(1) Accounts receivable classified by category

Category	December 31, 2017.				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with significant single amount for which bad debt provision separately accrued	446,603,382.89	35.40	4,056,656.13	0.91	442,546,726.76
Accounts receivable withdrawal of bad debt provision by credit risks characteristics	791,778,158.83	62.75	37,354,502.16	4.72	754,423,656.67
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	23,342,366.33	1.85	18,108,063.60	77.58	5,234,302.73
Total	1,261,723,908.05	100.00	59,519,221.89		1,202,204,686.16

Continued:

Category	December 31, 2016.				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with significant single amount for which bad debt provision separately accrued	20,894,629.00	2.46			20,894,629.00
Accounts receivable withdrawal of bad debt provision by credit risks characteristics	802,120,889.90	94.53	36,008,441.75	4.49	766,112,448.15
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	25,545,011.74	3.01	17,226,838.85	67.44	8,318,172.89
Total	848,560,530.64	100.00	53,235,280.60		795,325,250.04

A. Accounts receivable with significant single amount for which bad debt provision separately accrued

Creditor	Debtor	December 31, 2017.			
		Accounts receivable	Bad debt provision	Withdrawal proportion (%)	Withdrawal reason
The Company	Bureau of finance and financial services of Chengdu Hi-Tech Industrial Development Zone	431,657,965.35			Government departments
The Company	Chengdu Coe Technology Co., Ltd.	1,604,860.00			Related parties
CDHTI Real Estate Co.	Aidishi Sichuan Hotel Management Co., Ltd.	1,352,434.00	1,352,434.00	100.00	Expected irrecoverable
CDHTI Real Estate Co.	Chengdu Silu Investment Management Co., Ltd.	2,704,222.13	2,704,222.13	100.00	Expected irrecoverable
CDHTI Construction Co.	Chengdu Hi-Tech Industrial Development Zone Cooperation Street Office	2,705,523.13			Government departments
CDHTI	Chengdu Hi-Tech Zone Housing Security Center	1,002,000.00			Government

Construction Co.					departments
CDHTI Construction Co.	Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd.	5,576,378.28			Related parties
Total		446,603,382.89	4,056,656.13		

Continued:

Creditor	Debtor	December 31, 2016.			
		Accounts receivable	Bad debt provision	Withdrawal proportion (%)	Withdrawal reason
CDHTI Construction Co.	Chengdu Hi-Tech Industrial Development Zone Cooperation Street Office	18,405,325.00			Government departments
CDHTI Construction Co.	Chengdu Hi-Tech Zone Housing Security Center	1,002,000.00			Government departments
CDHTI Asset Management Co.	Chengdu Hi-Tech Industrial Development Zone Management Committee Office	1,487,304.00			Government departments
Total		20,894,629.00			

B. Among these groups, accounts receivable adopting aging analysis method to withdraw bad debt provision

Aging	December 31, 2017.		
	Accounts receivable	Bad debt provision	Withdrawal proportion (%)
Within 1 year	265,420,249.75	2,654,202.48	
1 to 2 years	19,895,617.52	1,989,561.75	10.00
2 to 3 years	6,270,435.84	1,567,608.97	25.00
Over 3 years	23,277,720.70	11,638,860.37	50.00
Total	314,864,023.81	17,850,233.57	

Continued:

Aging	December 31, 2016.		
	Accounts receivable	Bad debt provision	Withdrawal proportion (%)
Within 1 year	329,070,282.00	3,290,930.41	1.00
1 to 2 years	10,410,812.18	1,041,081.22	10.00
2 to 3 years	4,983,295.96	1,245,823.99	25.00
Over 3 years	26,062,361.01	13,031,180.51	50.00
Total	370,526,751.15	18,609,016.13	

C. Among these groups, accounts receivable adopting balance percentage method to withdraw bad debt provision

Item	December 31, 2017.		
	Accounts receivable	Bad debt provision	Withdrawal proportion (%)
balance percentage method	390,085,371.52	19,504,268.59	5.00
Total	390,085,371.52	19,504,268.59	

Continued:

Item	December 31, 2016.		
	Accounts receivable	Bad debt provision	Withdrawal proportion (%)
balance percentage method	347,988,512.24	17,399,425.62	5.00
Total	347,988,512.24	17,399,425.62	

D. Among these groups, accounts receivable adopting other method to withdraw bad debt provision

Item	December 31, 2017.		
	Accounts receivable	Bad debt provision	Withdrawal proportion (%)
Unexpired quality deposit	53,590,161.85		
Accounts receivable of government departments	33,238,601.65		
Total	86,828,763.50		

Continued:

Item	December 31, 2016.		
	Accounts receivable	Bad debt provision	Withdrawal proportion (%)
Unexpired quality deposit	50,367,024.86		
Accounts receivable of government departments	33,238,601.65		
Total	83,605,626.51		

E. Accounts receivable with insignificant single amount for which bad debt provision separately accrued

Company name	December 31, 2017.				
	Nature	Book balance	Bad debt provision	Withdrawal proportion (%)	Withdrawal reason
Chengdu Gaowei Sports Construction Development Co., Ltd.	The funds and margin of project development	8,176,627.37	8,176,627.37	100.00	Unable to payback
Sichuan Tiankun Housing Development Co., Ltd.	Project development funds	6,700,000.00	4,054,202.70	60.51	Not confirmed by the debtor
Accounts receivable of government departments	The rent etc.	1,799,821.18			Note 1
Chengdu Promising-Chip Electronic Co., Ltd.	Consulting fees etc.	1,092,980.56	1,092,980.56	100.00	Expected irrecoverable
Chengdu Municipal Construction And Development Co., Ltd.	project funds	653,129.96	653,129.96	100.00	Not confirmed by the debtor
Sichuan Aisi Sports Culture Co., Ltd.	The business payment	575,624.00	575,624.00	100.00	Base on the lawsuit progress
Semiconductor Manufacturing International Corporation	Payment for goods	507,087.65			Expected free of bad debts
Chengdu Emei Color Printing Factory	Guarantee payment	450,000.00	450,000.00	100.00	Note 2
Sichuan Bashu New Image Advertising Co., Ltd.	Guarantee payment	400,000.00	400,000.00	100.00	Note 2
Chengdu Longxin Technology Co., Ltd.	The rent	387,540.04	387,540.04	100.00	Unable to payback
Sichuan Bei'er Agriculture Technology Co., Ltd.	Guarantee payment	375,000.00	375,000.00	100.00	Note 2
Sichuan Yongya Hill Hotel Management Co., Ltd.	The rent	316,642.71	316,642.71	100.00	Expected irrecoverable
Accounts receivable of related parties	The business payment	270,996.60			Note 1
Chengdu Hanxintong Technology Co., Ltd.	Outsourcing cost	238,000.00	238,000.00	100.00	Note 3

Company name	December 31, 2017.				
	Nature	Book balance	Bad debt provision	Withdrawal proportion (%)	Withdrawal reason
Sichuan Zhuoxin Biological Material Research Co., Ltd.	Consulting fees	200,000.00	200,000.00	100.00	Expected irrecoverable
Chengdu Guoxin'an Information Industrial Base Co., Ltd.	The rent	188,160.00	188,160.00	100.00	Unable to contact the debtor
Sichuan Jiudou Star Power Co., Ltd.	In lieu of utility bills	181,687.50	181,687.50	100.00	Expected irrecoverable
Chengdu Sailong Communication Technology Co., Ltd.	The rent	143,815.76	143,815.76	100.00	Expected irrecoverable
Sichuan Aisi Tennis Culture Promotion Co., Ltd.	The business payment	116,856.00	116,856.00	100.00	Base on the lawsuit progress
Chengdu Jinzijing Communication Technology Co., Ltd.	Outsourcing cost	114,000.00	114,000.00	100.00	Note 4
Chengdu Tianfu Yihe Real Estate Co., Ltd.	land exchange payment	89,200.00	89,200.00	100.00	Not confirmed by the debtor
Chengdu Changsheng Swansheng Food Co., Ltd.	Guarantee payment	87,500.00	87,500.00	100.00	Note 2
Sichuan Anhao Precision Machinery Co., Ltd.	The rent	77,895.00	77,895.00	100.00	Unable to contact the debtor
Chengdu Silu Investment Management Co., Ltd.	Property management fee	67,902.00	67,902.00	100.00	Expected irrecoverable
Chengdu Yangya Sports Culture Development Co., Ltd.	Property management fee	57,354.00	57,354.00	100.00	Expected irrecoverable
Aidishi Sichuan Hotel Management Co., Ltd.	Property management fee	51,786.00	51,786.00	100.00	Expected irrecoverable
Chengdu Shunxin Fast Food Co., Ltd.	The rent	12,160.00	12,160.00	100.00	Unable to contact the debtor
Accounts receivable of staff	Accounts receivable of staff	10,600.00			Expected free of bad debts
Total		23,342,366.33	18,108,063.60		

Continued:

Company name	December 31, 2016.				
	nature	Book balance	Bad debt provision	Withdrawal proportion (%)	Withdrawal reason
Chengdu Gaowei Sports Construction Development Co., Ltd.	The funds and margin of project development	8,176,627.37	8,176,627.37	100.00	Unable to payback
Sichuan Tiankun Housing Development Co., Ltd.	Project development funds	6,700,000.00	4,054,202.70	60.51	Not confirmed by the debtor
Accounts receivable of government departments	The rent etc.	3,914,968.50			Note 1
Chengdu Promising-Chip Electronic Co., Ltd.	Consulting fees etc.	1,214,461.20	1,092,980.56	90.00	Expected irrecoverable
Accounts receivable of related parties	The business payment	1,123,038.80			Note 1
Chengdu Municipal Construction And Development Co., Ltd.	project funds	653,129.96	653,129.96	100.00	Not confirmed by the debtor
Sichuan Aisi Sports Culture Co., Ltd.	The business payment	575,624.00	575,624.00	100.00	Base on the lawsuit progress
Semiconductor Manufacturing International Corporation	Payment for goods	507,087.65			Expected free of bad debts
Chengdu Emei Color Printing Factory	Guarantee payment	450,000.00	450,000.00	100.00	Note 2
Sichuan Bashu New Image Advertising Co., Ltd.	Guarantee payment	400,000.00	400,000.00	100.00	Note 2
Sichuan Bei'er Agriculture Technology Co., Ltd.	Guarantee payment	375,000.00	375,000.00	100.00	Note 2
Chengdu Hanxintong Technology Co., Ltd.	Outsourcing cost	238,000.00	238,000.00	100.00	Note 3
Sichuan Zhuoxin Biological Material Research Co., Ltd.	Consulting fees	200,000.00	200,000.00	100.00	Expected irrecoverable
Chengdu Guoxin'an Information Industrial Base Co., Ltd.	The rent	188,160.00	188,160.00	100.00	Unable to contact the debtor

Company name	December 31, 2016.				
	nature	Book balance	Bad debt provision	Withdrawal proportion (%)	Withdrawal reason
Sichuan Jiudou Star Power Co., Ltd.	In lieu of utility bills	181,687.50	181,687.50	100.00	Expected irrecoverable
Chengdu Sailong Communication Technology Co., Ltd.	The rent	143,815.76	143,815.76	100.00	Expected irrecoverable
Sichuan Aisi Tennis Culture Promotion Co., Ltd.	The business payment	116,856.00	116,856.00	100.00	Base on the lawsuit progress
Chengdu Jinzijing Communication Technology Co., Ltd.	Outsourcing cost	114,000.00	114,000.00	100.00	Note 4
Chengdu Tianfu Yihe Real Estate Co., Ltd.	land exchange payment	89,200.00	89,200.00	100.00	Not confirmed by the debtor
Chengdu Changsheng Swansheng Food Co., Ltd.	Guarantee payment	87,500.00	87,500.00	100.00	Note 2
Sichuan Anhao Precision Machinery Co., Ltd.	The rent	77,895.00	77,895.00	100.00	Unable to contact the debtor
Chengdu Shunxin Fast Food Co., Ltd.	The rent	12,160.00	12,160.00	100.00	Unable to contact the debtor
Accounts receivable of staff	Accounts receivable of staff	5,800.00			Expected free of bad debts
Total		25,545,011.74	17,226,838.85		

Note 1: The amount listed was accounts receivable from government departments and related parties, and it was not expected that bad debts will occur, so there was no necessity of bad debt provision.

Note 2: CDHTI Guarantee Co. had paid off loans for those companies, and their mortgaged assets were insufficient to payback. Therefore, we made full bad debt provision on the project's guarantee fee receivable in accordance of prudence principle.

Note 3: According to (2015) No.5 paper of People's Court of Chengdu Wuhou District, Tianfu Software Park Co. withdrew its lawsuit against Chengdu Hanxintong Technology Co., Ltd., the amount is expected irrecoverable, we made full bad debt provision on it.

Note 4: According to (2014) No.479 paper of People's Court of Chengdu Hi-tech Zone, Chengdu Jinzijing Communication Technology Co., Ltd. had no property to execute, so we made full bad debt provision on it.

(2) Bad debt provision withdrew, reversed or recovered in the current period.

The withdrawal amount of the bad debt provision in 2017 was of RMB 8,107,892.94 yuan; the amount of the reversed or collected part in 2017 was of RMB 1,823,951.65 yuan.

The withdrawal amount of the bad debt provision in 2016 was of RMB 8,682,536.01 yuan; the amount of the reversed or collected part in 2016 was of RMB 8,317,440.85 yuan.

(3) There was no accounts receivable written off in the current period.

(4) Top 5 of the closing balance of accounts receivable collected according to the arrears party

Company name	December 31, 2017.		
	Closing balance	Proportion (%)	Bad debt provision
Bureau of finance and financial services of Chengdu Hi-Tech Industrial Development Zone	431,672,093.35	34.21	
Construction client 1	82,612,656.10	6.55	841,207.45
Hongfujin Precision Electronics (Chengdu) Co., Ltd.	61,887,308.96	4.90	3,094,365.45
Construction client 2	33,238,601.65	2.63	
Construction client 3	29,027,153.82	2.30	203,520.72
Total	638,437,813.88	50.59	4,139,093.62

5. Prepayment

(1) List by aging analysis

Aging	December 31, 2017.		December 31, 2016.		December 31, 2015.	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	26,978,742.39	85.04	25,430,736.38	61.69	33,411,980.48	52.35
1 to 2 years	731,898.23	2.31	3,069,928.75	7.45	3,721,381.06	5.83
2 to 3 years	1,798,492.42	5.67	661,608.65	1.61	22,853,777.63	35.81
Over 3 years	2,217,028.08	6.99	12,059,217.46	29.25	3,833,655.59	6.01
Total	31,726,161.12	100.00	41,221,491.24	100.00	63,820,794.76	100.00

(2) Significant prepayment over 1 year

Creditor	Debtor	Amount	Aging	Unsettled reasons
CDHTI Construction Co.	State Grid Sichuan Electric Power Company Tianfu New District Power Supply Company	1,000,000.00	2 to 3 years	Settlement conditions have not yet been met
Total		1,000,000.00		

(3) Top 5 of the prepayments were as follows:

Company name	December 31, 2017.		
	Amount	Aging	Proportion (%)
Truking Technology Limited	5,340,000.00	Within 1 year	16.83
Cefoc Hebei Goods Trading Co., Ltd.	3,517,084.31	Within 1 year	11.09
State Grid Sichuan Electric Power Company Chengdu Power Supply Company	2,281,528.35	Within 1 year	7.19
Guangdong Jinsheng Intelligent CNC Co., Ltd.	1,045,987.20	Within 1 year	3.30
Sichuan Branch of Yonyou Software Co., Ltd.	1,034,747.96	Within 1 year	3.26
Total	13,219,347.82		41.67

6. Provision of Cession Receivable

Item	December 31, 2017.	December 31, 2016.
Provision of cession receivable	237,808.68	202,789.81
Total	237,808.68	202,789.81

Notes: Re guarantor is Sichuan Credit Re-Guarantee Co., Ltd.

7. Interests Receivable

Item	December 31, 2017.	December 31, 2016.	December 31, 2015.
Interest of fixed deposits	4,756,832.68	7,790,463.89	10,868,819.44
Interest of loans		275,600.00	448,013.33
Total	4,756,832.68	8,066,063.89	11,316,832.77

8. Dividend Receivable

Company name	December 31, 2017.	December 31, 2016.	December 31, 2015.
Chengdu Pante Industrial Co., Ltd.		5,091,717.63	5,091,717.63
Chengdu Venture Capital Co., Ltd.		2,000,000.00	2,000,000.00
Chengdu Cable Television Network Investment Co., Ltd.			242,669.39

Company name	December 31, 2017.	December 31, 2016.	December 31, 2015.
China Electronics Technology Group Aviation Electronics Co., Ltd.			52,349.45
Total		7,091,717.63	7,386,736.47

9. Other Accounts Receivable

(1) Other accounts receivable classified by category

Category	December 31, 2017.				
	Book balance		Bad debt provision		Book balance
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	2,645,685,093.33	69.48	6,491,592.46	0.25	2,639,193,500.87
Other accounts receivable withdrawal of bad debt provision by credit risks characteristics	1,151,243,632.79	30.24	34,572,447.26	3.00	1,116,671,185.53
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	10,689,913.89	0.28	2,907,483.31	27.20	7,782,430.58
Total	3,807,618,640.01	100.00	43,971,523.03		3,763,647,116.98

Continued:

Category	December 31, 2016.				
	Book balance		Bad debt provision		Book balance
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	1,939,303,469.38	69.87	6,491,592.46	0.33	1,932,811,876.92
Other accounts receivable withdrawal of bad debt provision by credit risks characteristics	824,666,961.94	29.71	9,904,305.93	12	814,762,656.01

Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	11,692,626.35	0.42	3,495,133.16	29.89	8,197,493.19
Total	2,775,663,057.67	100.00	19,891,031.55		2,755,772,026.12

A. Other accounts receivable with significant single amount for which bad debt provision separately accrued

Creditor	Debtor	December 31, 2017.			Withdrawal proportion
		Other accounts receivable	Bad debt provision	Withdrawal proportion (%)	
CDHTI Guarantee Co.	Compensatory receivable	1,012,536,756.78			Note 1
CDHTI Real Estate Co.	Chengdu Public Resource Transaction Service Center	400,000,000.00			Note 3
The Company	Bureau of finance and financial services of Chengdu Hi-Tech Industrial Development Zone	325,283,082.05			Note 3
The Company	Chengdu Financial City Investment&Development Co., Ltd	300,000,000.00			Note 2
CDHTI Construction Co.	Bureau of finance and financial services of Chengdu Hi-Tech Industrial Development Zone	257,516,688.13			Note 3
CDHTI Real Estate Co.	Chengdu Hi-Tech Industrial Development Zone Planning Land Construction Bureau	141,556,116.00			Note 3
The Company	Chengdu Hi-Tech Zone Housing Security Center	35,371,479.93			Note 3
CDHTI Construction Co.	Chengdu Hi-Tech Zone Western Management Office	28,069,254.43			Note 3
CDHTI Winpower Co.	Chengdu Ruixun Precise Electronic Materials Technology Co., Ltd	20,367,536.73			Note 4
CDHTI Construction Co.	Chengdu Hi-Tech Zone Western Management Committee	20,092,875.28			Note 3
CDHTI	Motorola	16,536,957.53			Note 3

Creditor	Debtor	December 31, 2017.			Withdrawal proportion (%)	Withdrawal proportion
		Other accounts receivable	Bad debt provision	Withdrawal proportion (%)		
Construction Co.						
CDHTI International Trade Co.	State Taxation Bureau of Chengdu High-Tech Industrial Development Zone	15,789,211.54			Note 3	
CDHTI Winpower Co.	Sichuan Hengchi Weiye Energy Sources Technology Co., Ltd.	14,657,215.43			Note 4	
CDHTI Construction Co.	Pixian foundation office	13,843,064.29			Note 3	
Chengxin Co.	Chengdu Industrial Investment Group Co., Ltd	10,810,868.12			Related parties	
CDHTI Winpower Co.	Sichuan Panli Paper Co., Ltd	5,997,963.58			Note 6	
CDHTI Winpower Co.	Chengdu Runwei Electric Appliance Equipment Co., Ltd.	5,157,250.21			Note 4	
CDHTI Winpower Co.	Dongjiagang Mechanical & Electrical Equipment Co., Ltd	5,104,709.85			Note 4	
Chengxin Co.	Staff reserve	3,479,479.46	3,479,479.46	100.00	Expected irrecoverable	
The Company	Chengdu Ingel Company	3,012,113.00	3,012,113.00	100.00	Expected irrecoverable	
CDHTI Asset Management Co.	Southern District Export Processing Zone Management Office	2,684,845.75			Note 3	
CDHTI Construction Co.	Chengdu Gaoxin Power Supply Bureau	2,544,800.00			Note 3	
CDHTI Construction Co.	Chengdu Electric Bureau	1,585,427.32			Note 3	
The Company	Chengdu Hi-Tech Industrial Development Zone Planning Land Construction Bureau	1,325,497.56			Note 3	
The Company	Chengdu Hi-Tech Zone Western	1,270,902.77			Note 3	

Creditor	Debtor	December 31, 2017.			Withdrawal proportion (%)	Withdrawal proportion
		Other accounts receivable	Bad debt provision	Withdrawal proportion (%)		
	Management Committee					
CDHTI Construction Co.	Chengdu Hi-Tech Industrial Development Zone zhonghe Street Office	1,090,997.59			Note 3	
Total		2,645,685,093.33	6,491,592.46			

Continued:

Creditor	Debtor	December 31, 2016.			Withdrawal reason
		Other accounts receivable	Bad debt provision	Withdrawal proportion (%)	
CDHTI Guarantee Co.	Compensatory receivable	973,030,568.22			Note 1
The Company	Chengdu Financial City Investment&Development Co., Ltd	300,000,000.00			Note 2
CDHTI Construction Co.	Bureau of finance and financial services of Chengdu Hi-Tech Industrial Development Zone	225,045,616.88			Note 3
The Company	Bureau of finance and financial services of Chengdu Hi-Tech Industrial Development Zone	153,431,037.60			Note 3
The Company	Chengdu Hi-Tech Zone Housing Security Center	35,371,479.93			Note 3
CDHTI Construction Co.	Chengdu Hi-Tech Zone Western Management Office	28,069,254.43			Note 3
CDHTI Winpower Co.	Sichuan Kunding Auto Industry Co., Ltd	25,213,203.25			Note 4
CDHTI Winpower Co.	Chengdu Ruixun Precise Electronic Materials Technology Co., Ltd	20,367,536.73			Note 4
CDHTI Construction Co.	Chengdu Hi-Tech Zone Western Management Committee	20,092,875.28			Note 3

Creditor	Debtor	December 31, 2016.			Withdrawal reason
		Other accounts receivable	Bad debt provision	Withdrawal proportion (%)	
CDHTI Winpower Co.	Nbbeco Feinong Auto-Parts (Sichuan) Co., Ltd	18,924,367.26			Note 4
CDHTI Construction Co.	Motorola	16,536,957.53			Note 3
CDHTI Winpower Co.	Chengdu Wetouch Technology Co., Ltd	15,424,421.86			Note 4
CDHTI Winpower Co.	Sichuan Tianguang Technology Industry Co., Ltd	14,994,953.63			Note 5
CDHTI Winpower Co.	Sichuan Hengchi Weiye Energy Sources Technology Co., Ltd.	14,657,215.43			Note 4
CDHTI Construction Co.	Pixian foundation office	13,843,064.29			Note 3
Chengxin Co.	Chengdu Industrial Investment Group Co., Ltd	10,810,868.12			Related parties
CDHTI Winpower Co.	Sichuan Jidu Electric Control System Manufacturing Co., Ltd	10,036,949.66			Note 4
CDHTI International Trade Co.	State Taxation Bureau of Chengdu High-Tech Industrial Development Zone	8,886,957.26			Note 3
CDHTI Winpower Co.	Sichuan Panli Paper Co., Ltd	5,997,963.58			Note 6
CDHTI Winpower Co.	Dongjiagang Mechanical & Electrical Equipment Co., Ltd	5,104,709.85			Note 4
CDHTI Winpower Co.	Chengdu Runwei Electric Appliance Equipment Co., Ltd.	5,157,250.21			Note 4
CDHTI Winpower Co.	Sichuan Yilan Mining Technology Co., Ltd	4,999,552.85			Note 4
CDHTI Construction Co.	Chengdu Electric Bureau	4,130,227.32			Note 3

Creditor	Debtor	December 31, 2016.			Withdrawal reason
		Other accounts receivable	Bad debt provision	Withdrawal proportion (%)	
Chengxin Co.	Staff reserve	3,479,479.46	3,479,479.46	100.00	Expected irrecoverable
The Company	Chengdu Ingel Company	3,012,113.00	3,012,113.00	100.00	Unable to payback
CDHTI Asset Management Co.	Southern District Export Processing Zone Management Office	2,684,845.75			Note 3
Total		1,939,303,469.38	6,491,592.46		

Note 1: Due to the fact that The Group's compensatory receivables have been evaluated on case-by-case estimation method and the corresponding guarantee compensation reserve has been made, no provision for bad debts should be made again. For details, please refer to the Note "V.33".

Note 2: The payment of Chengdu Financial City Investment&Development Co., Ltd. was the capital increase of 2015, as of the end of 2017, Chengdu Financial City Investment&Development Co., Ltd. has not yet completed the corresponding capital increase program and the business registration, and its paid-in capital did not change. The amount temporarily disclosed in other accounts receivable, so we made no bad debt provision on it.

Note 3: The amount listed were other accounts receivable from government departments and related parties, and it is not expected that bad debt will occur, so there was no necessity of bad debt provision.

Note 4: Those listed company failed to pay back the platform loans of CDHTI Winpower Co. CDHTI Guarantee Co. guarantee for them, and they have been evaluated on case-by-case estimation method and the corresponding guarantee compensation reserve has been made, so there was no necessity of bad debt provision.

Note 5: Sichuan Tianguang Technology Industry Co., Ltd. failed to pay back the platform loan and interest of CDHTI Winpower Co. taking account of the recovery cost and other factors, the provision for bad debt shall be calculated at 10%.

Note 6: The listed company failed to payback the platform loan of CDHTI Winpower Co. Yanghua returned the loan of RMB 6 million without the written document, the amount temporarily disclosed in other accounts receivable, so we made no bad debt provision on it.

B. Among these groups, other accounts receivable adopting aging analysis method to withdraw bad debt provision

Aging	December 31, 2017.		
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)
Within 1 year	2,673,581.23	26,735.81	1.00
1 to 2 years	608,412.17	60,841.22	10.00
2 to 3 years	1,256,150.53	314,037.64	25.00
Over 3 years	4,599,884.81	2,299,942.41	50.00
Total	9,138,028.74	2,701,557.08	

Continued:

Aging	December 31, 2016.		
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)
Within 1 year	1,414,690.60	14,146.89	1.00
1 to 2 years	2,040,602.12	204,060.22	10.00
2 to 3 years	463,861.25	115,965.31	25.00
Over 3 years	4,376,469.01	2,188,234.52	50.00
Total	8,295,622.98	2,522,406.94	

C. Among these groups, other accounts receivable adopting balance percentage method to withdraw bad debt provision

Item	December 31, 2017.		
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)
Balance percentage method	637,417,801.65	31,870,890.18	5.00
Total	637,417,801.65	31,870,890.18	

Continued:

Item	December 31, 2016.		
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)
Balance percentage method	147,637,978.62	7,381,898.99	5.00
Total	147,637,978.62	7,381,898.99	

D. Among these groups, other accounts receivable adopting other method to withdraw bad debt provision

Item	December 31, 2017.		
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)
Futures contract margin	428,117,251.33		
Performance bond	50,906,711.37		
Pledge margin	12,531,376.00		
Clearing margin	10,056,943.70		
Migrant worker's salary margin	2,990,000.00		
Bid bond paid according to project bidding documents and project contracts	85,520.00		
Total	504,687,802.40		

Continued:

Item	December 31, 2016.		
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)
Futures contract margin	444,457,779.89		
Government departments receivable	112,921,370.79		
Pledge margin	55,936,192.00		
Performance bond	40,915,550.77		
Clearing margin	10,056,946.89		
Migrant worker's salary margin	3,560,000.00		
Bid bond paid according to project bidding documents and project contracts	885,520.00		
Total	668,733,360.34		

E. Other accounts receivable with insignificant single amount for which bad debt provision separately accrued

Company name	Nature	Book balance	December 31, 2017.		
			Bad debt provision	Withdrawal proportion (%)	Withdrawal reason
Government departments	intercourse funds	7,016,844.58			Note 1

Company name	December 31, 2017.				
	Nature	Book balance	Bad debt provision	Withdrawal proportion (%)	Withdrawal reason
Companies in Export Processing Zone and other park zone	In lieu of utility bills etc.	604,410.85	604,410.85	100.00	Expected irrecoverable
Wangzhimin	Investment clearing payment	492,134.70	492,134.70	100.00	Expected irrecoverable
Other related parties	intercourse funds	325,011.19			Note 1
Hong Kong hongzheng company	intercourse funds	358,022.33	358,022.33	100.00	Not confirmed by the debtor
Staff reserves	Staff reserves	362,571.24			Note 1
Chengdu Dadong Network Safe Technology Co., Ltd.	In lieu of payment	294,803.46	294,803.46	100.00	Unable to pay bank
Pixian Sitong Garment Factory	intercourse funds	243,026.38	243,026.38	100.00	expected irrecoverable
Chengdu Branch Of Shanghai Ruixiang Shangfang Property Management Co., Ltd.	intercourse funds	181,174.87	181,174.87	100.00	Expected irrecoverable
Chengdu Gaoxin Power Supply Bureau	intercourse funds	157,300.00	157,300.00	100.00	Expected irrecoverable
Mianyang Oriental Education Investment Co., Ltd.	Loan	140,000.00	140,000.00	100.00	Not confirmed by the debtor
In lieu of interests	In lieu of interests	537,353.00	134,338.24	25.00	Note 4
In lieu of utility bills	In lieu of utility bills	148,295.56	148,295.56	100.00	Expected irrecoverable
Others	intercourse funds	153,976.92	153,976.92	100.00	Expected irrecoverable
Total		10,689,913.89	2,907,483.31		

Continued:

Company name	December 31, 2016.				
	Nature	Book balance	Bad debt provision	Withdrawal proportion (%)	Withdrawal reason

Government departments	intercourse funds	7,177,143.07			Note 1
In lieu of interests	In lieu of interests	925,924.71	925,924.71	100.00	Note 2
Companies in Export Processing Zone and other park zone	In lieu of utility bills etc.	656,589.28	656,589.28	100.00	Expected irrecoverable
Sichuan Dubang Food Co., Ltd.	In lieu of interests	537,353.00	134,338.25	25.00	Note 4
Wangzhimin	Investment clearing payment	492,134.70	492,134.70	100.00	Expected irrecoverable
Other related parties	intercourse funds	329,520.31			Note 2
Hong Kong hongzheng company	intercourse funds	358,022.33	358,022.33	100.00	Not confirmed by the debtor
Chengdu Dadong Network Safe Technology Co., Ltd.	In lieu of payment	294,803.46	294,803.46	100.00	Unable to payback
Staff reserves	Staff reserves	287,815.06			Note 1
Pixian Sitong Garment Factory	intercourse funds	243,026.38	243,026.38	100.00	Expected irrecoverable
Mianyang Oriental Education Investment Co., Ltd.	Loan	140,000.00	140,000.00	100.00	Not confirmed by the debtor
Others	intercourse funds	250,294.05	250,294.05	100.00	Expected irrecoverable
Total		11,692,626.35	3,495,133.16		

Note 1: The amount listed were other accounts receivable from government departments, staffs and related parties, and it is not expected that bad debt will occur, so there was no necessity of bad debt provision.

Note 2: CDHTI Guarantee Co. had paid off loans' interest for those companies, and they have not payback in time. Therefore, we made full bad debt provision on it in accordance with prudence principle.

Note 3: They have been evaluated on case-by-case estimation method by CDHTI Guarantee Co. and the corresponding guarantee compensation reserve has been made, so there was no necessity of bad debt provision.

Note 4: CDHTI Guarantee Co. had paid off loans' interest for those companies, and we made bad debt provision adopting the five-class classification method.

(2) Bad debt provision withdrew, reversed or recovered in the current period.

The withdrawal amount of the bad debt provision in 2017 was of RMB 36,788,577.12; the amount of the reversed or collected part in 2017 was of RMB 12,708,085.64.

The withdrawal amount of the bad debt provision in 2016 was of RMB 1,066,040.09; the amount of the reversed or collected part in 2016 was of RMB 10,171,385.28.

(3) There was no other accounts receivable written off in the current period.

(4) Top 5 of the prepayments were as follows:

Company name	December 31, 2017.				
	Nature	Book balance	Aging	Proportion (%)	Bad debt provision
Bureau of finance and financial services of Chengdu Hi-Tech Industrial Development Zone	Government departments payments	581,544,863.31	Within 3 years, over 3 years	15.27	
Chengdu hi-tech Financial Holding Group Co., Ltd.	equity transfer fund	494,640,590.90	Within 1 year	12.99	24,732,029.55
Futures contract margin	margin	428,117,251.33	Within 1 year	11.24	
Chengdu Public Resource Transaction Service Center	Land auction margin	400,000,000.00	Within 1 year	10.51	
Chengdu Financial City Investment&Development Co., Ltd.	Investment section	300,000,000.00	1 to 2 years	7.88	
Total		2,204,302,705.54		57.89	24,732,029.55

10. Inventory

(1) Category of inventory

Item	December 31, 2017.		
	Book balance	Falling price reserves	Book value
Raw materials	6,351,674.98		6,351,674.98
Finished goods	4,382,821.85		4,382,821.85
Revolving Materials	457,724.53		457,724.53
Development cost	4,422,114,853.36	75,389,258.71	4,346,725,594.65
Including: Self development cost	4,422,114,853.36	75,389,258.71	4,346,725,594.65

Item	December 31, 2017.		
	Book balance	Falling price reserves	Book value
Agent-construction development cost (note)			
Self development product	3,249,281,447.36	9,686,693.25	3,239,594,754.11
Agent-construction development product			
Engineering construction	119,092,558.90		119,092,558.90
Completed unliquidated assets formed under construction contracts	199,920,753.39		199,920,753.39
Goods in process	145,238.82		145,238.82
Total	8,001,747,073.19	85,075,951.96	7,916,671,121.23

Continued:

Item	December 31, 2016.		
	Book balance	Falling price reserves	Book value
Raw materials	3,195,106.02		3,195,106.02
Finished goods	5,370,711.48		5,370,711.48
Goods sold	1,300,265.86		1,300,265.86
Revolving Materials	485,120.48		485,120.48
Development cost	4,949,394,522.87	75,389,258.71	4,874,005,264.16
Including: Self development cost	4,387,730,399.51	75,389,258.71	4,312,341,140.80
Agent-construction development cost (note)	561,664,123.36		561,664,123.36
Self development product	1,378,157,848.99	10,907,227.88	1,367,250,621.11
Agent-construction development product	290,266,949.87		290,266,949.87
Engineering construction	225,431,627.75		225,431,627.75
Completed unliquidated assets formed under construction contracts	254,969,974.01		254,969,974.01
Goods in process	217,135.57		217,135.57
Total	7,108,789,262.90	86,296,486.59	7,022,492,776.31

Note: The agent-construction development cost and the Agent-construction development product were the expenses incurred by The Group in the construction of municipal infrastructure and public

supporting facilities in the area entrusted by Chengdu Hi-Tech Zone Management Committee. The larger part of the accumulated expenses of the agent-construction project than the corresponding accumulative financial allocations should be disclosed in Inventory; otherwise, it should be disclosed in Other Current Liabilities. At the end of 2017, the balance of accumulative agent-construction financial allocations was RMB 33,932,907,758.35 yuan, the balance of accumulative agent-construction expenses was RMB 33,709,784,584.43 yuan, the larger part RMB 223,123,173.92 yuan disclosed in Other Current Liabilities.

(2) The details of self development cost were as follows:

Item	December 31, 2017.		December 31, 2016.	
	Book balance	Falling price reserves	Book balance	Falling price reserves
New generation of information technology incubation park	1,375,623,064.29		917,599,492.92	
Tianfu ecological headquarters park	959,667,748.35		944,173,535.14	
Biomedical innovation incubation park	826,384,549.10		497,203,823.79	
GX2017-07 plot (071)	657,829,429.72			
Dayuan commercial core area	371,667,595.33		362,837,949.56	
Ya 'an hot spring project (note 1)	107,567,308.47	40,045,108.47	107,567,308.47	40,045,108.47
Mianyang western property	58,036,115.20		36,876,810.38	
Tianfu software park G block (note 2)	17,440,358.72	17,440,358.72	17,440,358.72	17,440,358.72
Staff apartment in Cooperation town	11,489,198.21		11,489,198.21	
Foreign residential 2 nd period (note 2)	9,962,178.20	9,962,178.20	9,962,178.20	9,962,178.20
Tianfu Life Science Park	6,100,410.09			
Zhonghe Greenland development project (note 2)	5,057,200.00	5,057,200.00	5,057,200.00	5,057,200.00
Chengdu hi-tech intelligent manufacturing innovation center	2,908,935.70			
Hi-tech zone limited-price commercial housing project (note 2)	2,884,413.32	2,884,413.32	2,884,413.32	2,884,413.32
Hi-tech zone zhonghe town Dragon-lantern hill soil-eliminating project	2,751,173.56		2,051,125.62	
Western moto research&development center	2,636,126.45		2,636,126.45	
ICON Cloud Project			1,464,073,861.51	
Tianfu software B7 (1 st -8 th floor) rebuilding project			2,666,050.29	

Item	December 31, 2017.		December 31, 2016.	
	Book balance	Falling price reserves	Book balance	Falling price reserves
Others	4,109,048.65		3,210,966.93	
Total	4,422,114,853.36	75,389,258.71	4,387,730,399.51	75,389,258.71

Note 1: The land of Zhougong Hill Hot Spring Park which was developed by Sichuan Ya'An Hot Spring Tourism Development Co., Ltd., a subsidiary of Hi-Tech Development Co., had decreased in value. According to the difference between the book balance of development costs and the expected net realizable value of the land, we had made falling price reserves of RMB 40.0451 million.

Note 2: Those listed projects were now shut down, there no plan to develop continually in the foreseeable future, so we made full falling price reserves on them.

(3) The details of self-development product were as follows:

Item	December 31, 2017.			
	Opening balance	Increase	Decrease	Closing balance
ICON cloud project		2,881,818,561.09	1,274,674,386.25	1,607,144,174.84
ICON genesis plaza	306,585,455.36		13,766,225.37	292,819,229.99
New century west road project	213,983,409.92		25,171,861.40	188,811,548.52
The building 1-6 and garage of centralized commercial of the staff apartment 3rd period in western district	183,705,614.01			183,705,614.01
The centralized commerce of xinyi garden in hi-tech zone zhonghe district		304,699,322.76	124,278,917.41	180,420,405.35
ICON shangjun	230,362,649.35		53,071,775.51	177,290,873.84
The centralized commerce of xinyi huating in hi-tech zone zhonghe district		119,573,662.87		119,573,662.87
Tianfu software park project	228,979,697.39		130,239,078.70	98,740,618.69
ICON yingjun	93,460,018.76		583,701.76	92,876,317.00
The bottom commerce of longteng yuan (huilong 4 th period) rehousing project in zhonghe district		107,600,454.41	32,523,071.03	75,077,383.38
The centralized commerce of yixin jiayuan in hi-tech zone zhonghe district		176,391,514.03	110,054,937.96	66,336,576.07
Tiexiang temple riverfront project	56,467,483.17			56,467,483.17

Item	December 31, 2017.			
	Opening balance	Increase	Decrease	Closing balance
The centralized commerce of longxiang jiyuan 3 rd period in zhonghe district		50,510,715.02		50,510,715.02
The centralized commercial building 1-4 of dayuan shuanghe 3rd period	20,018,125.22		351,465.87	19,666,659.35
The centralized commercial building 1-5 of binghe spring	17,744,379.80			17,744,379.80
The centralized commercial supporting project of shunjiang community	11,474,818.98			11,474,818.98
Brilliant lingshang 2nd period project	6,336,303.75		573,919.04	5,762,384.71
Farmer rehousing and commerce project	8,660,376.73		4,181,291.51	4,479,085.22
ICON hi-tech international plaza building B and building D	379,516.55			379,516.55
Total	1,378,157,848.99	3,640,594,230.18	1,769,470,631.81	3,249,281,447.36

Note: The increased self development products were mainly finished projects, the decreased ones were mainly because of sold.

(4) Falling price of reserves of inventory

Item	December 31, 2017.					Closing balance
	Opening balance	Increase		Decrease		
		Withdraw	Others	Reverse or written-off	Others	
Development cost	75,389,258.71					75,389,258.71
Including: Self development cost	75,389,258.71					75,389,258.71
Development product (note)	10,907,227.88			1,220,534.63		9,686,693.25
Total	86,296,486.59			1,220,534.63		85,075,951.96

(5) Description about capitalized amount of borrowing costs contained in closing balance of self development cost

Item	December 31, 2017.	December 31, 2016.
ICON cloud project		205,039,183.33
Tianfu ecological headquarters park	77,459,702.16	77,459,702.16
New generation of information technology incubation park	98,734,524.55	50,756,266.17

Item	December 31, 2017.	December 31, 2016.
Biomedical innovation incubation park	56,675,063.93	28,379,293.68
Others	2,660,828.64	2,660,828.64
Total	235,530,119.28	364,295,273.98

(6) The completed unsettlement assets formed by the construction contract

Item	December 31, 2017.	December 31, 2016.
Cumulative costs incurred	1,993,244,555.52	3,000,908,907.90
Cumulative confirmed gross profit	94,576,275.37	152,746,432.09
Less: Expected losses		
Already settled amount	1,887,900,077.50	2,898,685,365.98
The completed unsettlement assets formed by the construction contract	199,920,753.39	254,969,974.01

(7) Please refer to Note V.24 for the inventory of limited ownership.

11. Non-current Assets Coming Due within 1 Year

Item	December 31, 2017.	December 31, 2016.
Entrust loans coming due within 1 year	445,000,000.00	
Total	445,000,000.00	

12. Other Current Assets

Item	December 31, 2017.	December 31, 2016.
Financial products	100,000,000.00	
Refundable deposits (note 1)	68,031,779.72	125,822,923.61
Provisional tax (note 2)	39,102,403.77	48,719,329.42
Deductible VAT	49,771,223.22	12,142,164.99
Debt-expiated assets (note 3)	18,814,771.15	1,090,520.00
Others	25,468,775.50	
Total	301,188,953.36	187,774,938.02

Note 1: Refundable deposits were the guarantee margins depositing in the cooperative bank of CDHTI Guarantee Co.

Note 2: Provisional tax was the prepayment of taxes and fees corresponding to the prepayment of real estate.

Note 3: Debt-expiated assets were finished building materials which were awarded to CDHTI Microfinance Co. by the court. As of the balance sheet date, CDHTI Microfinance Co. has not

disposed of the assets, and the accumulated provision for impairment was of RMB 19,560,021.49 yuan.

Note 4: Others include new pledge repurchase (treasury bonds repurchase) of RMB 5,908,754.01 yuan of Hi-tech Development Co.; the fixed-term deposits of RMB 18 million and its interest of Hi-Tech Development Co. in Chengdu kehua road branch of China Merchants Bank, which was frozen because of guaranteeing for Chengdu Juyou Network Co., Ltd. and was deducted by Chengdu kehua road branch of China Merchants Bank, the amount was of RMB 19,560,021.49 yuan.

13. Loans and Payments on Behalf

Item	December 31, 2017.		December 31, 2016.	
	Loan balance	Loss reserves	Loan balance	Loss reserves
Pass	88,410,000.00	884,100.00	27,930,000.00	279,300.00
Special mention	33,276,774.39	665,535.49	79,809,877.00	1,596,197.54
Sub standard	108,922,400.56	27,230,600.14	121,900,000.00	30,475,000.00
Doubtful	14,319,646.48	7,159,823.24	12,264,883.48	6,132,441.74
Loss	17,523,113.50	17,523,113.50	12,523,113.50	12,523,113.50
Total	262,451,934.93	53,463,172.37	254,427,873.98	51,006,052.78

Note: The above loans were loans made to enterprises and individuals by CDHTI Microfinance Co.

14. Available-for-sale Financial Assets

(1) Available-for-sale financial assets

Item	December 31, 2017.		
	Book balance	Provision for impairment	Book value
Available-for-sale equity instruments	664,692,790.04	6,700,943.47	657,991,846.57
- At fair value	41,372,259.22		41,372,259.22
- At cost	623,320,530.82	6,700,943.47	616,619,587.35
Available-for-sale mixed instruments	10,000,000.00		10,000,000.00
- At cost	10,000,000.00		10,000,000.00
Total	674,692,790.04	6,700,943.47	667,991,846.57

Continued:

Item	December 31, 2016.		
	Book balance	Provision for impairment	Book value
Available-for-sale equity instruments	489,730,084.38	4,900,943.47	484,829,140.91
- At fair value	142,384,553.56		142,384,553.56
- At cost	347,345,530.82	4,900,943.47	342,444,587.35
Total	489,730,084.38	4,900,943.47	484,829,140.91

(2) Available-for-sale financial assets at fair value at the end of the year:

Investee	December 31, 2017.			
	Cost value	changes recognised in other comprehensive income	Fair value	Percentage of shareholding in investees (%)
Others	41,406,026.15	-33,766.93	41,372,259.22	
Total	41,406,026.15	-33,766.93	41,372,259.22	

Continued:

Investee	December 31, 2016.			
	Cost value	changes recognised in other comprehensive income	Fair value	Percentage of shareholding in investees (%)
Tianma Microelectronics Co., Ltd. (note)	10,104,645.87	5,000,154.39	15,104,800.26	0.06
Others	126,010,000.00	1,269,753.30	127,279,753.30	
Total	136,114,645.87	6,269,907.69	142,384,553.56	

Note: At the end of 2016, the Company holds shares of Tianma Microelectronics Co., Ltd. (hereinafter referred to as Tianma A) of 802,593.00 shares, according to the closing price RMB 18.82 yuan per share of Shenzhen Stock Exchange, the fair value at the end of 2016 was RMB 15,104,800.26 yuan.

(3) Available-for-sale equity instruments at cost value at the end of the year:

Investee	Percentage of shareholding (%)	December 31, 2017.			
		Opening balance	Increase	Decrease	Closing balance
Tianfu (Sichuan) Credit Enhancement Co., Ltd.	3.75		150,000,000.00		150,000,000.00
China Electronics Technology Group Aviation Electronics Co., Ltd.	3.74	93,200,000.00			93,200,000.00
Chengdu Jinjiang Green Road Construction Investment Group Co., Ltd.	2.60		65,000,000.00		65,000,000.00
Chengdu Qingtonghui Equity Investment Fund Partnership (Limited Partnership)		50,000,000.00			50,000,000.00
Chengdu Di'Ao Pharmaceutical Group Co., Ltd.	6.00	43,680,000.00			43,680,000.00
Chengdu Venture Capital Co., Ltd.	5.00	30,000,000.00			30,000,000.00
Chengdu Air Space Vehicle Co., Ltd.	8.66	20,000,000.00			20,000,000.00
Chengdu Eight Hour Sleep Technology Co., Ltd.	1.52		17,500,000.00		17,500,000.00
Chengdu Zhongke Dacu Software Co., Ltd	3.49		15,000,000.00		15,000,000.00
China Railway Fiduciary Co., Ltd	0.69	13,256,274.27			13,256,274.27
Sichuan Joyou Digital Technology Development Co., Ltd.	2.36		11,700,000.00		11,700,000.00
Chengdu Ruixin Technology Co., Ltd.	3.48		8,000,000.00		8,000,000.00
Chengdu Chimagen Biosciences Co., Ltd.	5.66	3,000,000.00	5,000,000.00		8,000,000.00
Chengdu Internet Technology Co., Ltd.	1.60	8,000,000.00			8,000,000.00
Sichuan Fornew Technology Co., Ltd	9.17	7,800,000.00			7,800,000.00
Chengdu Promising-Chip Electronic Co., Ltd (note 1.3)	24.71	7,500,000.00			7,500,000.00
Chengdu Venture Accelerator Investment Co., Ltd.	7.90	6,715,000.00		2,370,000.00	4,345,000.00
Sichuan Zhuoxin Biological Material Research Co., Ltd. (note 1.1)	21.20	5,004,500.00			5,004,500.00
Chengdu Duojichang New Material Co., Ltd.	5.00	5,000,000.00			5,000,000.00
Chengdu Push Mieda Culture Communication Co., Ltd	7.85	4,400,000.00			4,400,000.00

Investee	Percentage of shareholding (%)	December 31, 2017.			
		Opening balance	Increase	Decrease	Closing balance
Chengdu Guokehaibo Information Technology Co., Ltd.	2.88	4,193,600.00			4,193,600.00
Chengdu Wattsine Electronic Technology Co., Ltd.	10.00	4,000,000.00			4,000,000.00
Chengdu Xingyu Energy-Saving Technology Co., Ltd.	4.00	4,000,000.00			4,000,000.00
Sichuan Sunfor Lighting Co., Ltd.	0.66	3,952,178.00			3,952,178.00
Diao Group Chengdu Pharmaceutical Stock Co., Ltd.	1.55	3,795,000.00			3,795,000.00
Sichuan Xingdun Technology Co., Ltd.	2.95	3,700,000.00			3,700,000.00
Chengdu Biotechnology Co., Ltd.	3.25		3,145,000.00		3,145,000.00
Chengdu Microcore Technology Co., Ltd.	5.60		3,000,000.00		3,000,000.00
Chengdu Xilingyuan Pharmaceutical Co., Ltd.	6.00	3,000,000.00			3,000,000.00
Chengdu Tape Technology Development Co., Ltd.	5.45	3,000,000.00			3,000,000.00
Chengdu Androidmov Technology Co., Ltd.	2.13	2,614,100.00			2,614,100.00
Chengdu Payexpress New Information Technology Service Co., Ltd.	1.76	2,550,000.00			2,550,000.00
Chengdu Guangda New Network Technology Co., Ltd.	0.86	2,271,960.00			2,271,960.00
Chengdu Yibei Technology Co., Ltd.	8.70	2,000,000.00			2,000,000.00
Zycoo Co., Ltd.	6.25	2,000,000.00			2,000,000.00
Chengdu Bosyn Technology Co., Ltd.	4.00	2,000,000.00			2,000,000.00
Chengdu Cable Television Network Investment Co., Ltd.	0.44	1,262,918.55			1,262,918.55
Sichuan Hoist Group Co., Ltd.	2.00	1,050,000.00			1,050,000.00
Chengdu Langrui Medical Technology Co., Ltd.	1.89	1,000,000.00			1,000,000.00
Chengdu Wenwu Information Technology Co., Ltd.	3.85	1,000,000.00			1,000,000.00

Investee	Percentage of shareholding (%)	December 31, 2017.			
		Opening balance	Increase	Decrease	Closing balance
China Wiserv Technologies Co., Ltd.	0.33	1,000,000.00			1,000,000.00
Chengdu Powerview Science And Technology Co., Ltd.	1.72	1,000,000.00			1,000,000.00
Chengdu Zhonghai Jingbeite Construction Engineering Co., Ltd.	1.88	300,000.00			300,000.00
Chengdu Public Bonded Warehouse Co., Ltd.	5.00	100,000.00			100,000.00
Total		347,345,530.82	278,345,000.00	2,370,000.00	623,320,530.82

Continued:

Investee	Provision for impairment				Cash bonus
	Opening balance	Increase	Decrease	Closing balance	
China Electronics Technology Group Aviation Electronics Co., Ltd.					81,251.15
Chengdu Di'Ao Pharmaceutical Group Co., Ltd.					2,252,582.42
Chengdu Promising-Chip Electronic Co., Ltd. (note 1&3)	750,000.00	1,500,000.00		2,250,000.00	
Sichuan Zhuoxin Biological Material Research Co., Ltd. (note 1&2)	4,150,943.47			4,150,943.47	
Chengdu ^u Venture Accelerator Investment Co., Ltd.					268,600.00
Sichuan Xingdun Technology Co., Ltd.					421,915.00
Chengdu Cable Television Network Investment Co., Ltd.					156,117.31
Chengdu Zhonghai Jingbeite Construction Engineering Co., Ltd.		300,000.00		300,000.00	
Total	4,900,943.47	1,800,000.00		6,700,943.47	3,180,465.88

Note 1: CDHTI Venture Co. holds those investments. According to its business purposes and investment purposes, CDHTI Venture Co. didn't participate in the process of policy making of those enterprises, and it had no significant effect on them. Even though the shareholding percentage was more than 20%, we did not adopt the equity method.

Note 2: Sichuan Zhuoxin Biological Material Research Co., Ltd.'s original main product market sales did not meet expectations, and CDHTI Venture Co. had made RMB 4.1509 million yuan for

its accumulated impairment. In 2017, Sichuan Zhuoxin Biological Material Research Co., Ltd. planned to set up a new company to run biological materials project, at present, it has formed a complete solution and completed the preliminary site selection. Given its operating situation of improvement signs, at the end of 2017, there is no necessity to make the provision for impairment loss.

Note 3: Due to a large inventory backlog and a slowdown in the downstream customers' payback, Chengdu Promising-Chip Electronic Co., Ltd.'s basic business was stagnation. The investment agreement agrees that actual-controlling shareholders shall have the duty to buy back the investments, CDHTI Venture Co. has advocated a share buyback by way of judicial, and the Court finally decided that CDHTI Venture Co. won. As of the end of 2017, the related lawsuit was in the process of enforcement. At the end of 2017, according to the compulsory execution of the lawsuit, the impairment provision was RMB 1.5 million yuan based on 20%.

(4) Available-for-sale mixed instruments at cost value at the end of the year:

investee	The type of mixed instruments	December 31, 2017.			
		Opening balance	Increase	Decrease	Closing balance
Connaught Biotech (Chengdu) Co., Ltd.	convertible bond		5,000,000.00		5,000,000.00
Chengdu Zhongkun Derun Technology Co., Ltd.	convertible bond		5,000,000.00		5,000,000.00
Total			10,000,000.00		10,000,000.00

(5) Provision for impairment of available-for-sale financial assets

Item	December 31, 2017.	December 31, 2016.
Provision for impairment at the beginning of the year	4,900,943.47	4,683,883.50
Increase	1,800,000.00	217,059.97
Decrease		
Provision for impairment at the end of the year	6,700,943.47	4,900,943.47

(6) There was no limited ownership of available-for-sale financial assets

15. Long-term Accounts Receivable

Item	December 31, 2017.	December 31, 2016.
Others	43,912,609.60	197,558,320.49
Total	43,912,609.60	197,558,320.49

Note: The listed was construction payment receivable from Panzhihua City Flower City Investment Co., Ltd. The accounts receivable was caused because of Chengdu Beite Construction and Installation Engineering Co., Ltd., a subsidiary of Hi-Tech Development Co., engaging in public infrastructure construction transfer way construction business.

16. Long-term Equity Investments

(1) Long-term equity investments:

Investee	Percentage of shareholding (%)	December 31, 2017.	December 31, 2016.
1. Investments in joint ventures		1,639,266,173.65	1,185,840,709.58
Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd. (note 3)	50.00	1,442,025,889.45	1,185,477,272.17
Chengdu Hi-Tech Zhigu Human Resources Industrial Park Management Co., Ltd.	50.00	586,113.20	363,437.41
Chengdu Gaoxin Industrial Investment Co., Ltd.	60.00	196,654,171.00	
2. Investments in associates		2,153,322,925.93	2,594,168,692.56
Chengdu Financial City Investment&Development Co., Ltd. (note 1)	27.48	1,107,101,095.86	1,085,685,438.81
Chengdu Yinke Venture Capital Co., Ltd.			473,764,569.75
Haiguang Information Technology Co., Ltd.	22.77	394,225,018.90	391,854,498.96
Chengdu Coe Technology Co., Ltd.	30.00	259,657,515.36	259,077,646.91
Sichuan CCO Display Technology Co., Ltd.	39.74	105,234,118.34	106,049,006.12
Chengdu Bonded Logistics Investment Co., Ltd.	45.71	94,258,473.64	88,376,149.75
Chengdu Pante Industrial Co., Ltd. (note 2)			66,816,025.40
Chengdu Hi-Tech Jinhong Technology Petty Loan Co., Ltd. (note 2)	12.50	47,587,542.18	46,548,441.60
Chengdu Luwei Photoelectric Co., Ltd.	29.40	46,594,384.72	
Chengdu Yingchuang Power Venture Investment Co., Ltd. (note 1)	19.8	21,673,729.72	20,084,547.43
Chengdu Yingchuang Xingke Venture Investment Partnership (Limited Partnership) (note 1)	19.00	20,855,522.23	18,701,301.30
Chengdu Yingchuang dehong Venture Investment Partnership (Limited Partnership) (note 1)	15.00	14,765,778.58	14,730,407.67
Chengdu Yingchuang taifu Venture Investment Partnership (Limited Partnership) (note 1)	14.70	10,071,647.93	5,776,396.62
Chengdu Xinxing Incubator Investment Co., Ltd. (note 4)	40.00	11,364,919.77	4,466,832.46

Investee	Percentage of shareholding (%)	December 31, 2017.	December 31, 2016.
Chengdu Yingchuang Power Investment Management Co., Ltd. (note 1)	1334	3,173,139.78	3,096,574.32
Sichuan Hongxin Equity Investment Fund Management Co., Ltd.	2000	7,628,303.81	2,559,901.71
Sichuan Rongchuang Zhuye Investment Development Co., Ltd. (note 1)	099	2,030,014.56	2,002,309.96
Sichuan Innovation Development Investment Management Co., Ltd.	2000	3,204,702.76	1,388,450.56
Chengdu Yingtai Investment Management Co., Ltd.	2500	1,214,625.76	1,243,934.98
Sichuan Gongchuang Enterprise Management Service Co., Ltd.	4000	678,856.18	518,838.45
Chengdu Yingchuang Xingke Equity Investment Fund Management Co., Ltd. (note 1)	1883	761,086.37	485,552.10
Deyang Yingchuang Sunshine Angel Venture Investment Management Co., Ltd.	4000	592,082.56	448,602.23
Chengdu Yingchuang Zhike Equity Investment Fund Management Partnership (Limited Partnership)	2000	399,944.97	220,000.00
Chengdu Yingchuang Dehong Equity Investment Fund Management Co., Ltd. (note 1)	800	174,688.25	167,332.92
Chengdu Yingchuang Detai Equity Investment Fund Management Co., Ltd. (note 1)	700	75,733.70	70,000.00
Sichuan United Credit Management Co., Ltd.	4000		35,932.55
Total		3,792,589,099.58	3,780,009,402.14

Note: None of the investments listed in the above table were made impairment provision.

Continued:

Investee	Increase/decrease in 2017.				
	Additional investment	Withdraw investment	Gains and losses recognised under equity method	Change in other equity	Cash bonus or profits announced to issue
I. Investments in joint ventures	223,860,000.00		229,565,464.07		
Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd.			256,548,617.28		
Chengdu Hi-Tech Zhigu Human Resources			222,675.79		

Investee	Increase/decrease in 2017.				
	Additional investment	Withdraw investment	Gains and losses recognised under equity method	Change in other equity	Cash bonus or profits announced to issue
Industrial Park Management Co., Ltd.					
Chengdu Gaoxin Industrial Investment Co., Ltd.	223,860,000.00		-27,205,829.00		
2. Investments in associates	53,520,000.00	494,640,590.94	70,834,619.55	16,478.80	70,576,274.04
Chengdu Financial City Investment&Development Co., Ltd.			22,326,557.05		910,900.00
Chengdu Yinke Venture Capital Co., Ltd. (note 3)		494,640,590.94	20,876,021.19		
Haiguang Information Technology Co., Ltd. (note 3)			2,370,519.94		
Chengdu Coe Technology Co., Ltd.			579,868.45		
Sichuan CCO Display Technology Co., Ltd.			-831,366.58	16,478.80	
Chengdu Bonded Logistics Investment Co., Ltd.			5,882,323.89		
Chengdu Pante Industrial Co., Ltd. (note 2)					66,816,025.40
Chengdu Hi-Tech Jinhong Technology Petty Loan Co., Ltd. (note 1)			2,539,100.58		1,500,000.00
Chengdu Luwei Photoelectric Co., Ltd.	47,040,000.00		-445,615.28		
Chengdu Yingchuang Power Venture Investment Co., Ltd. (note 1)			1,589,182.29		
Chengdu Yingchuang Xingke Venture Investment Partnership (Limited Partnership) (note 1)			2,154,220.93		
Chengdu Yingchuang dehong Venture Investment Partnership (Limited Partnership) (note 1)			35,370.91		
Chengdu Yingchuang taifu Venture Investment Partnership (Limited Partnership) (note 1)	4,500,000.00		-204,748.69		
Chengdu Xinxing Incubator Investment Co., Ltd. (note 4)			6,898,087.31		
Chengdu Yingchuang Power Investment			76,565.46		

Investee	Increase/decrease in 2017.				
	Additional investment	Withdraw investment	Gains and losses recognised under equity method	Change in other equity	Cash bonus or profits announced to issue
Management Co., Ltd. (note 1)					
Sichuan Hongxin Equity Investment Fund Management Co., Ltd.	800,000.00		5,247,531.34		979,129.24
Sichuan Rongchuang Zhuye Investment Development Co., Ltd. (note 1)			27,704.60		
Sichuan Innovation Development Investment Management Co., Ltd.	1,000,000.00		1,164,252.20		348,000.00
Chengdu Yingtai Investment Management Co., Ltd.			-29,309.22		
Sichuan Gongchuang Enterprise Management Service Co., Ltd.			160,017.73		
Chengdu Yingchuang Xingke Equity Investment Fund Management Co., Ltd. (note 1)			297,753.67		22,219.40
Deyang Yingchuang Sunshine Angel Venture Investment Management Co., Ltd.			143,480.33		
Chengdu Yingchuang Zhike Equity Investment Fund Management Partnership (Limited Partnership)	180,000.00		-55.03		
Chengdu Yingchuang Dehong Equity Investment Fund Management Co., Ltd. (note 1)			7,355.33		
Chengdu Yingchuang Detai Equity Investment Fund Management Co., Ltd. (note 1)			5,733.70		
Sichuan United Credit Management Co., Ltd.			-35,932.55		
Total	277,380,000.00	494,640,590.94	300,400,083.62	16,478.80	70,576,274.04

Continued:

Investee	Increase/decrease in 2016.				
	Additional investment	Withdraw investment	Gains and losses recognised under equity method	Change in other equity	Cash bonus or profits announced to issue
1. Investments in joint ventures	1,000,000.00		232,598,730.49		
Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd.			233,235,293.08		
Chengdu Hi-Tech Zhigu Human Resources Industrial Park Management Co., Ltd.	1,000,000.00		-636,562.59		
2. Investments in associates	1,026,790,000.00		24,171,073.17	20,190.10	5,616,783.90
Chengdu Financial City Investment&Development Co., Ltd. (note 1)	610,000,000.00		9,656,122.22		
Chengdu Yinke Venture Capital Co., Ltd.			19,093,927.10		
Haiguang Information Technology Co., Ltd.	406,250,000.00		-14,395,501.04		
Chengdu Coe Technology Co., Ltd.			1,464,800.12		
Sichuan CCO Display Technology Co., Ltd.			-1,007,536.58	20,190.10	
Chengdu Bonded Logistics Investment Co., Ltd.			4,511,422.36		1,642,945.00
Chengdu Pante Industrial Co., Ltd. (note 2)					
Chengdu Hi-Tech Jinhong Technology Petty Loan Co., Ltd. (note 1)			3,157,767.66		3,000,000.00
Chengdu Yingchuang Power Venture Investment Co., Ltd. (note 1)			769,484.41		841,500.00
Chengdu Yingchuang Xingke Venture Investment Partnership (Limited Partnership) (note 1)			-281,054.96		
Chengdu Yingchuang dehong Venture Investment Partnership (Limited Partnership) (note 1)			-196,622.66		
Chengdu Yingchuang taifu Venture Investment Partnership (Limited Partnership) (note 1)	6,000,000.00		-223,603.38		
Chengdu Xinxing Incubator Investment Co., Ltd.			123,571.55		

Investee	Increase/decrease in 2016.				
	Additional investment	Withdraw investment	Gains and losses recognised under equity method	Change in other equity	Cash bonus or profits announced to issue
Chengdu Yingchuang Power Investment Management Co., Ltd. (note 1)			7,651.54		
Sichuan Hongxin Equity Investment Fund Management Co., Ltd.	1,200,000.00		1,359,901.71		
Sichuan Rongchuang Zhuye Investment Development Co., Ltd. (note 1)	2,000,000.00		2,309.96		
Sichuan Innovation Development Investment Managemet Co., Ltd.	1,000,000.00		388,450.56		
Chengdu Yingtai Investment Management Co., Ltd.			-59,037.98		
Sichuan Gongchuang Enterprise Management Service Co., Ltd.			144,379.68		
Chengdu Yingchuang Xingke Equity Investment Fund Management Co., Ltd. (note 1)			58,667.60		132,338.90
Deyang Yingchuang Sunshine Angel Venture Investment Management Co., Ltd.	50,000.00		54,541.16		
Chengdu Yingchuang Zhike Equity Investment Fund Management Partnership (Limited Partnership)	220,000.00				
Chengdu Yingchuang Dehong Equity Investment Fund Management Co., Ltd. (note 1)			6,637.53		
Chengdu Yingchuang Detai Equity Investment Fund Management Co., Ltd. (note 1)	70,000.00				
Sichuan United Credit Management Co., Ltd.			-465,205.39		
Total	1,027,790,000.00		256,769,803.66	20,190.10	5,616,783.90

Note 1: The Group had directors assigned to the aforesaid invested entity, which had great influence on them. Therefore, the equity method was adopted.

Note 2: Zhengxi international building developed by Chengdu Pante Industrial Co., Ltd. has been sold out, the company did not plan to carry out new projects, and ready for liquidation after the

completion of the related work. So Hi-Tech Development Co. uses the cost method to account the investment. By the end of 2017, Chengdu Pante Industrial Co., Ltd. has completed the liquidation.

Note 3: In 2017, the Company sold all its shares in Chengdu Yinke Venture Capital Co., Ltd.

(2) There was no limited ownership of long-term equity investments.

17. Investment Real Estate

(1) Investment real estate measured as cost method

Item	December 31, 2016.	Increase	Decrease	December 31, 2017.
①Original book value	12,916,982,721.15	673,147,490.76	66,484,528.28	13,523,645,683.63
Including: Houses and building	12,916,982,721.15	673,147,490.76	66,484,528.28	13,523,645,683.63
②Accumulated depreciation or amortisation	1,450,357,848.36	318,231,921.38	12,488,888.95	1,756,100,880.79
Including: Houses and building	1,450,357,848.36	318,231,921.38	12,488,888.95	1,756,100,880.79
③Impairment provision	9,866,234.83			9,866,234.83
Including: Houses and building	9,866,234.83			9,866,234.83
④Book value	11,456,758,637.96			11,757,678,568.01
Including: Houses and building	11,456,758,637.96			11,757,678,568.01

(2) Investment real estate without certificate of ownership

Item	Book value	Reason for certificate not granted
Southwestern 3 rd Period Plot C (Hi-Tech Youth Apartment 5)	916,303,454.89	Being processed
Southwestern 3 rd Period Plot A2 (Hi-Tech Youth Apartment 7)	633,210,763.21	Being processed
Southwestern 3 rd Period Plot E1 (Hi-Tech Youth Apartment 4)	612,604,627.27	Being processed
Southwestern 3 rd Period Plot F1 (Hi-Tech Youth Apartment 3)	451,315,458.24	Being processed
Southwestern 3 rd Period Plot A1 (Hi-Tech Youth Apartment 7)	382,199,887.58	Being processed
Underground Commerce And Garage Of Dayuan Center Park 2 nd Period	114,556,789.69	Being processed
Tianfu Software Park 4 th Period G Block Project	105,941,034.59	Being processed
Tearoom And Underground Garage Of Jiangtan Park No.1	61,372,003.73	Being processed
Staff Canteen Of Incubation Park Building 13	25,696,443.70	Being processed
Dayuan Northern District Community Service Center Block A	20,988,860.92	Being processed
The Bottom Commerce Of Longxiang Jiayuan 3 rd Period Rebuilding Project In Hi-Tech Zone Zhonghe District	18,708,684.77	Being processed
Western District Supporting Centralized Commerce	6,342,105.34	Being processed

Item	Book value	Reason for certificate not granted
Shunjiang 1 st period community service center	5,795,141.95	Being processed
Total	3,355,035,255.88	

(3) Please see note V.24 for the investment real estate of limited ownership

18. Fixed Assets

(1) Fixed assets

Item	December 31, 2016.	Increase	Decrease	December 31, 2017.
① Original book value	489,389,975.56	5,232,942.89	10,657,505.39	483,965,413.06
Including: Houses and building	279,339,247.35	199,544.61	298,137.60	279,240,654.36
Transportation equipment	21,949,717.07	315,103.22	1,663,805.16	20,601,015.13
Electronic equipment	23,747,586.73	532,324.39	838,361.15	23,441,549.97
Office equipment	22,913,530.87	1,854,432.71	768,596.57	23,999,367.01
General equipment	87,454,819.24	532,110.24	413,452.28	87,573,477.20
Other equipment	53,985,074.30	1,799,427.72	6,675,152.63	49,109,349.39
② Accumulative depreciation	199,950,440.33	28,281,385.63	9,778,809.56	218,453,016.40
Including: Houses and building	83,015,665.40	10,448,112.07	28,587.30	93,435,190.17
Transportation equipment	14,798,305.62	1,398,111.71	1,427,799.40	14,768,617.93
Electronic equipment	18,108,173.86	1,679,590.86	796,241.07	18,991,523.65
Office equipment	17,416,536.94	1,019,919.77	726,136.84	17,710,319.87
General equipment	26,756,158.36	8,219,969.60	339,833.82	34,636,294.14
Other equipment	39,855,600.15	5,515,681.62	6,460,211.13	38,911,070.64
③ Depreciation reserve				
Including: Houses and building				
Transportation equipment				
Electronic equipment				
Office equipment				
General equipment				
Other equipment				
④ Book value	289,439,535.23			265,512,396.66
Including: Houses and building	196,323,581.95			185,805,464.19
Transportation equipment	7,151,411.45			5,832,397.20

Item	December 31, 2016.	Increase	Decrease	December 31, 2017.
Electronic equipment	5,639,412.87			4,450,026.32
Office equipment	5,496,993.93			6,289,047.14
General equipment	60,698,660.88			52,937,183.06
Other equipment	14,129,474.15			10,198,278.75

Note: the increase of fixed assets in the current period was mainly transferred from construction in progress into houses and buildings for self-use, etc. The current reduction is mainly for scrap and disposal.

(2) Fixed assets without the certificate of ownership

Item	Book value	Reason for certificate not granted
Dayuan Northern District Community Service Center Block A	20,159,689.78	Being processed
The Building of Yingdi Lanzuo	4,020,701.78	Need to complete the information
Xiangyu Garden	190,424.38	Being processed
Total	24,370,815.94	

(2) Please see note V.24 for the fixed assets of limited ownership

19. Construction in Progress

(1) Construction in progress

Item	December 31, 2017.	December 31, 2016.
Globalfoundries Project	1,806,814,893.21	
National Software Industrial Base	79,566,923.41	79,566,923.41
Xingyue Hotel Upgrade And Renovation		866,000.00
Other	4,992,789.18	
Total	1,891,374,605.80	80,432,923.41

(2) Changes in significant construction in progress

Item	December 31, 2016.	Increase	Decrease		December 31, 2017.	Rate of progress	capital source
			Transfer to fixed assets	Other			
Globalfoundries Project		1,806,814,893.21			1,806,814,893.21	65.00%	self-raised
National Software Industrial Base	79,566,923.41				79,566,923.41	79.57%	self-raised and

Item	December 31, 2016.	Increase	Decrease		December 31, 2017.	Rate of progress	capital source
			Transfer to fixed assets	Other			
							financial provision
Xingyue Hotel Upgrade and Renovation	866,000.00		833,811.97	32,188.03			self-raised
Other		4,992,789.18			4,992,789.18		self-raised
Total	80,432,923.41	1,811,807,682.39	833,811.97	32,188.03	1,891,374,605.80		

20. Intangible Assets

(1) Intangible assets

Item	December 31, 2016.	Increase	Decrease	December 31, 2017.
① Original book value	107,134,887.13	1,452,573.34		108,587,460.47
Including: Software	17,445,294.50	1,452,573.34		18,897,867.84
Land-use right	67,884,613.03			67,884,613.03
Non-patents	1,576,179.60			1,576,179.60
Trademark right	28,800.00			28,800.00
The resource exploitation right of hot spring and well water	20,000,000.00			20,000,000.00
Shanghai property trading seat	200,000.00			200,000.00
② Accumulative amortization	36,446,840.12	3,967,860.11		40,414,700.23
Including: Software	10,365,557.82	2,017,271.59		12,382,829.41
Land-use right	19,785,816.19	1,550,588.56		21,336,404.75
Non-patents				
Trademark right	28,800.00			28,800.00
The resource exploitation right of hot spring and well water	6,066,666.11	399,999.96		6,466,666.07
Shanghai property trading seat	200,000.00			200,000.00
③ Depreciation reserves	1,576,179.60			1,576,179.60
Including: Software				
Land-use right				

Item	December 31, 2016.	Increase	Decrease	December 31, 2017.
Non-patents	1,576,179.60			1,576,179.60
Trademark right				
The resource exploitation right of hot spring and well water				
Shanghai property trading seat				
④ Book value	69,111,867.41			66,596,580.64
Including: Software	7,079,736.68			6,515,038.43
Land-use right	48,098,796.84			46,548,208.28
Non-patents				
Trademark right				
The resource exploitation right of hot spring and well water	13,933,333.89			13,533,333.93
Shanghai property trading seat				

(2) Please refer to Note V.24 for the fixed assets of limited ownership.

21. Long-term Unamortized Expenses

Item	December 31, 2016.	Increase	Amortization	Other decrease	December 31, 2017.
Office decoration	8,854,705.54	1,292,493.62	3,133,114.29	802,252.25	6,211,832.62
Other	6,897,882.83	1,173,783.89	844,857.08	5,999,565.34	1,227,244.30
Total	15,752,588.37	2,466,277.51	3,977,971.37	6,801,817.59	7,439,076.92

22. Deferred Income Tax Assets and Deferred Income Tax Liabilities

(1) Deferred income tax assets that had not been set-off

Item	December 31, 2017.		December 31, 2016.	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Preselling real estate	269,473,765.35	67,368,441.34	483,728,750.60	120,932,187.64
Asset impairment loss ^{ss}	108,949,734.24	21,602,400.90	60,030,549.96	14,783,321.58
Futures risk reserves	7,359,641.28	1,839,910.32	7,359,641.28	1,839,910.32
Guarantee indemnity reserve	308,055,710.33	46,208,356.55	308,055,710.33	46,208,356.55
Deductible losses	15,967,674.84	3,991,918.71	15,193,901.08	3,798,267.75

Item	December 31, 2017.		December 31, 2016.	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Deductible fees			5,792,375.68	1,448,093.92
Total	709,806,526.04	141,011,027.81	880,160,928.93	189,010,137.76

Note: Deferred income tax assets confirmed from the pre-sale house were calculated at future applicable tax rates after deductible temporary difference minus taxable temporary difference. The deductible temporary difference was calculated at the announce “Measures for the treatment of enterprise income tax in real estate development and operation” (Guoshuifa [2009] No.31), while the taxable temporary difference was calculated at pre-paid business taxes and land value-added taxes.

(2) Deferred income tax liabilities that had not been set-off

Item	December 31, 2017.		December 31, 2016.	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Consolidated assets evaluation appreciation under the different controller (note)	128,824,553.04	32,206,138.26	128,824,652.44	32,206,163.11
Changes in fair value of available-for-sale financial assets	107,874.03	26,968.51	889,863.68	222,465.92
Total	128,932,427.07	32,233,106.77	129,714,516.12	32,428,629.03

Note: It was from the acquisition of CDHTI Long Island Co. by CDHTI Real Estate Co.

(3) List of deductible temporary difference for unrecognized deferred income tax assets

Item	December 31, 2017.	December 31, 2016.
Deductible losses	531,366,496.35	451,649,720.64
Assets impairment provision	103,117,894.76	27,749,416.83
Guarantee indemnity reserve	345,587,917.33	306,325,700.73
Total	980,072,308.44	785,724,838.20

(4) Deductible losses of unrecognized deferred income tax assets due in the following years

Years	December 31, 2017.	December 31, 2016.
2017		21,105,838.29
2018	9,303,400.24	9,303,400.27

Years	December 31, 2017.	December 31, 2016.
2019	22,623,097.27	22,623,097.27
2020	86,564,592.57	179,495,452.93
2021	79,127,966.87	219,121,931.88
2022	333,747,439.40	
Total	531,366,496.35	451,649,720.64

Note 1: The deductible losses of 2021 at the end of 2017 have been adjusted according to the results of the income tax final settlement of 2016.

Note 2: Because the income tax final settlement was in the progress, the deductible losses of 2017 shall be subject to the calculation results of the tax authorities.

23. Other Non-current Assets

Item	December 31, 2017.	December 31, 2016.
Entrust loans (note 1)	4,375,500,000.00	3,626,000,000.00
The land of xinhua vocational middle schools (note 2)	96,070,114.80	96,070,114.80
Artwork (note 3)	57,761,473.64	57,454,460.64
Angel fund investment projects (note 4)	77,762,734.00	64,862,734.00
Trading seat	1,400,000.00	1,400,000.00
Other	6,359,947.40	679,500.00
Total	4,614,854,269.84	3,846,466,809.44

Note 1: The Company issues entrust loans to other enterprises through banks, the deadline of those entrust loans were more than 1 year.

Note 2: Please refer to V.24 for the restriction of ownership.

Note 3: CDHTI Real Estate Co. and Tianfu Software Park Co. purchased artworks as long-term display and collection research of Chengdu Contemporary Art Museum, and entrusted Tianfu Software Park Co. to operate and manage.

Note 4: according to the paper of Chenggaoguan [2012] No. 14 and Chenggaofa [2014] No.25, CDHTI venture co. managed angel investment fund on behalf of Bureau of Finance and Financial Services of Chengdu Hi-Tech Industrial Development Zone. The following enterprises were the angel investment fund's investment.

Item	December 31, 2016.	Increase	Decrease	December 31, 2017.	Percentage of shareholding

Item	December 31, 2016.	Increase	Decrease	December 31, 2017.	Percentage of shareholding
Connaught Biotech (Chengdu) Co., Ltd		5,000,000.00		5,000,000.00	
Chengdu Biotechnology Co., Ltd	4,800,000.00			4,800,000.00	4.96%
Chengdu Eugenlight Technology Co., Ltd		3,900,000.00		3,900,000.00	5.64%
Chengdu Ebgbot Technology Co., Ltd	3,000,000.00			3,000,000.00	7.76%
Chengdu Boost Energy Technology Co., Ltd	2,000,000.00			2,000,000.00	11.04%
Chengdu North Shore Technology Co., Ltd	2,000,000.00			2,000,000.00	10.00%
Chengdu Binguo Technology Co., Ltd	2,000,000.00			2,000,000.00	10.00%
Chengdu Langrui Medical Technology Co., Ltd	2,000,000.00			2,000,000.00	7.55%
Chengdu Microcore Technology Co., Ltd	2,000,000.00			2,000,000.00	6.79%
Sichuan Lairney Laundry Co., Ltd	2,000,000.00			2,000,000.00	5.88%
Chengdu QiYe Technology Co., Ltd	2,000,000.00			2,000,000.00	4.51%
Chengdu Mobile Connection Incorporated Technology Co., Ltd	2,000,000.00			2,000,000.00	4.57%
Chengdu Chiip-Rail Microelectronics Co., Ltd	2,000,000.00			2,000,000.00	4.00%
Chengdu Tape Technology Development Co., Ltd	2,000,000.00			2,000,000.00	3.64%
Chengdu Jingshan Qiyue Technology Co., Ltd	2,000,000.00			2,000,000.00	3.55%
Chengdu Powerview Science And Technology Co., Ltd	2,000,000.00			2,000,000.00	3.44%
Chengdu Payexpress New Information Technology Service Co., Ltd	2,000,000.00			2,000,000.00	1.38%
Sichuan Xingdun Technology Co., Ltd	2,000,000.00			2,000,000.00	1.59%
China Wiserv Technologies Co., Ltd	2,000,000.00			2,000,000.00	0.67%
Silan Technology (Chengdu) Co., Ltd	1,000,000.00	1,000,000.00		2,000,000.00	3.52%
Chengdu Lingqi Automation Control Technology Co., Ltd	2,000,000.00			2,000,000.00	13.33%
Chengdu Turner Semiconductor Co., Ltd	2,000,000.00			2,000,000.00	12.74%
Chengdu Virtual Dream Technology Co., Ltd	2,000,000.00			2,000,000.00	8.00%
Chengdu Wenwu Information Technology Co., Ltd	2,000,000.00			2,000,000.00	7.69%
Chengdu Bosyn Technology Co., Ltd	2,000,000.00			2,000,000.00	4.00%
Chengdu Chimagen Biosciences Co., Ltd	2,000,000.00			2,000,000.00	3.33%
Chengdu Xilingyuan Pharmaceutical Co., Ltd	2,000,000.00			2,000,000.00	3.38%

Item	December 31, 2016.	Increase	Decrease	December 31, 2017.	Percentage of shareholding
Chengdu Lengyunneng Energy Technology Co., Ltd		2,000,000.00		2,000,000.00	6.21%
Chengdu Ruixin Technology Co., Ltd		2,000,000.00		2,000,000.00	0.87%
Chengdu Vinchin Technology Co., Ltd		2,000,000.00		2,000,000.00	11.62%
Chengdu Androidmov Technology Co., Ltd	1,742,734.00			1,742,734.00	1.42%
Chengdu Friday Technology Co., Ltd	1,700,000.00			1,700,000.00	6.12%
Chengdu Ueste Optical Communications Corporation	1,620,000.00			1,620,000.00	1.52%
Chengdu Listening Technology Co., Ltd	1,200,000.00			1,200,000.00	3.84%
Chengdu Yunzhuoyue Technology Co., Ltd	1,000,000.00			1,000,000.00	13.33%
Sichuan Figure Lighthouse Technology Co., Ltd		1,000,000.00		1,000,000.00	5.56%
Chengdu Ishare Technology Co., Ltd	800,000.00			800,000.00	9.09%
Chengdu Guangheng Interactive Technology Co., Ltd	2,000,000.00		2,000,000.00		
Chengdu Bikong Science And Technology Co., Ltd	2,000,000.00		2,000,000.00		
Total	64,862,734.00	16,900,000.00	4,000,000.00	77,762,734.00	

24. The Assets with the Ownership or Use Right Restricted

Category	December 31, 2017.	December 31, 2016.	Reason
I. For guarantee	6,306,159,889.11	6,150,652,136.96	
Monetary funds	5,229,045.33	12,702,013.30	Refer to note V. 1
Accounts receivable	749,839.79	2,348,308.99	Note 2
Inventory	484,235,292.00	310,578,091.65	Note 1
Investment real estate	5,815,945,711.99	5,825,023,723.02	Note 1
2. For other reason	320,233,071.01	462,530,259.80	
Monetary funds	90,550,367.97	97,727,590.53	Refer to note V. 1
Investment real estate	55,216,428.80	37,315,791.04	Note 2
Fixed assets	84,423.98	81,229,326.10	Note 2
Intangible assets	10,279,955.74	24,364,513.72	Note 2
Other current assets - Refundable deposits	68,031,779.72	125,822,923.61	Note 3
Other non-current assets	96,070,114.80	96,070,114.80	Note 4
Total	6,626,392,960.12	6,613,182,396.76	

Note 1: The Group set pledge and mortgage for loans by assets of RMB 6.30 billion.

Note 2: Hi-Tech Development Co. holds assets of RMB 66.33 million that was in the state of the mortgage, judicial security or seizure.

Note 3: CDHTI Guarantee Co. deposited the guarantee deposits in the loan bank in proportion according to relevant regulations, and the restricted would be canceled after expiration.

Note 4: In December of 2004, Chengdu Hi-Tech Zone Management Committee add capital by land-use right of RMB 700.1171 million. Among that, the land of Xinhua vocational middle schools not yet dealt with land-use right card, which evaluated RMB 96.0701 million, was still used by the middle school.

25. Short-term Loan

Item	December 31, 2017.	December 31, 2016.
Credit loan	500,000,000.00	150,000,000.00
Mortgage loan		100,000,000.00
Total	500,000,000.00	250,000,000.00

Note 1: The Company borrows RMB 200 million from Ya'an branch of Postal Savings Bank of China, the period is from March 3, 2017, to March 2, 2018.

Note 2: The Company borrows RMB 150 million from Ya'an branch of Postal Savings Bank of China, the period is from May 8, 2017, to March 2, 2018.

Note 3: The Company borrows RMB 100 million from Ya'an branch of Postal Savings Bank of China, the period is from June 9, 2017, to June 8, 2018.

Note 4: The Company borrows RMB 50 million from Chengdu branch of China CITIC Bank, the period is from April 1, 2017, to April 1, 2018.

26. Accounts Payable

(1) Accounts payable

Item	December 31, 2017.	December 31, 2016.
Within 1 year	2,097,158,327.91	904,700,093.78
1 to 2 years	58,530,719.99	459,823,573.68
2 to 3 years	156,525,007.11	416,557,726.60
Over 3 years	704,226,932.96	576,149,239.26
Total	3,016,440,987.97	2,357,230,633.32

(2) Significant accounts payable over 1 year

Item	December 31, 2017.	Reason
Estimated cost	745,654,585.33	Not confirmed by final accounts audit

Item	December 31, 2017.	Reason
Project materials cost of Hi-Tech Development Co.	84,122,764.13	Not due for payment
Total	829,777,349.46	

27. Advance from Customers

(1) List of advance from customers

Item	December 31, 2017.	December 31, 2016.
Within 1 year	100,327,761.70	132,865,417.32
Over 1 year	231,587,391.28	301,563,606.55
Total	331,915,152.98	434,429,023.87

(2) Significant advance from customers over 1 year

Company name	December 31, 2017.	Reason
Chengdu Zhongquan Investment Co., Ltd.	48,443,967.00	Not yet meet the income recognition criteria
Chengdu Jiahua Technology Co., Ltd.	23,034,323.00	Not yet meet the income recognition criteria
Sichuan Xinkuan Trade Co., Ltd.	22,518,955.00	Not yet meet the income recognition criteria
Chengdu Yingshang Culture Communication Co., Ltd.	19,735,225.00	Not yet meet the income recognition criteria
Luzhou Jinlan Technology Co., Ltd.	18,823,644.00	Not yet meet the income recognition criteria
Huarun Urban Transportation Facilities Chengdu Tianfu New Area Co. Ltd	16,668,041.27	Not yet meet the income recognition criteria
Chengdu Chensheng Jiuyi Investment Co., Ltd.	14,820,820.00	Not yet meet the income recognition criteria
Qinghai Spring Medical Resources Technology Utilization Co., Ltd.	13,792,320.00	Not yet meet the income recognition criteria
Sichuan Kuangyi Agricultural Biological Technology Co., Ltd.	10,000,000.00	Not yet meet the income recognition criteria
Total	187,837,295.27	

28. Payroll Payable

(1) List of payroll payable

Item	December 31, 2016.	Increase	Decrease	December 31 2017.
Short-term salary	41,848,293.80	591,974,878.45	593,450,317.31	40,372,854.9
Post-employment benefit - defined contribution plan	164,199.35	47,435,799.57	31,223,306.70	16,376,692.2
Termination benefits	1,144,682.40	1,638,127.21	1,984,680.24	798,129.3
Total	43,157,175.55	641,048,805.23	626,658,304.25	57,547,676.5

(2) Short-term salary

Item	December 31, 2016.	Increase	Decrease	December 31, 2017.
Salary, bonus, allowance, subsidy	28,494,109.08	538,929,698.64	544,151,324.74	23,272,482.9
Employee welfare	62,790.95	13,019,049.84	13,081,840.79	
Social insurance	80,381.58	14,057,411.14	14,071,317.58	66,475.1
Including: Medical insurance premiums	70,968.13	11,532,320.03	11,543,938.97	59,349.19
Work-related injury insurance	3,566.43	435,252.44	435,724.53	3,094.3
Maternity insurance	5,847.02	924,339.88	926,155.29	4,031.61
Supplemental medical insurance premiums		1,165,498.79	1,165,498.79	
Housing fund	121,373.00	16,667,248.21	16,701,251.21	87,370.00
Labor union budget and employee education budget	11,960,629.72	7,406,967.30	5,444,582.99	13,923,014.0
Other	1,129,009.47	1,894,503.32		3,023,512.7
Total	41,848,293.80	591,974,878.45	593,450,317.31	40,372,854.9

(3) Defined contribution plan

Item	December 31, 2016.	Increase	Decrease	December 31, 2017.
Basic pension benefits	141,700.04	30,195,123.30	30,237,704.97	99,118.3
Unemployment insurance	22,499.31	985,863.40	985,601.73	22,760.9
Enterprise annuity		16,254,812.87		16,254,812.8
Total	164,199.35	47,435,799.57	31,223,306.70	16,376,692.2

29. Taxes Payable

Item	December 31, 2017.	December 31, 2016.
Value-added tax (VAT)	94,408,773.09	56,097,296.12

Item	December 31, 2017.	December 31, 2016.
business tax (note 1)	-5,704,099.55	-20,555,575.64
Corporate income tax	29,669,298.05	101,686,967.73
Urban maintenance and construction tax	5,868,261.86	2,728,617.86
Education Surcharge	2,572,638.91	1,342,616.97
Local education surcharge	1,677,837.63	850,368.33
Housing property tax	10,835,687.40	10,573,521.43
Land-use tax	-604,262.60	207,201.23
Personal income tax	2,749,751.90	2,290,941.84
Stamp tax	2,434,829.75	1,422,091.02
Land value added tax (note 1)	111,107,458.45	-4,883,082.19
Contract tax	1,103,815.75	1,103,815.75
Price regulation fund (note 1)	12,104.81	-206,203.02
Others (note 2)	265,035.21	271,539.15
Total	256,397,130.66	152,930,116.58

Note 1: The negative value of the listed taxes at the end of the period was mainly caused by CDHTI Long Island Co.'s return on housing sales.

Note 2: Others mainly refer to taxes of construction enterprises on withhold and remit the tax.

Note 3: The above taxes shall be subject to the calculation results of the tax authorities.

30. Interests Payable

Item	December 31, 2017.	December 31, 2016.
Interests on long-term loan	192,191.64	376,041.67
Interests on bonds payable	32,292,593.60	2,198,000.00
Others (note)	26,731,928.99	27,278,289.41
合 计	59,216,714.23	29,852,331.08

Note: Others were the loan interest payable by Chengxin Co. to its shareholder, Chengdu Industrial Investment Group Co., Ltd. The principal of the loan was RMB 369,919,420.00 yuan. It has stopped calculating the interest since 2013.

31. Dividends Payable

Item	December 31, 2017.	December 31, 2016.	Reason
Dividends payable	578,359.32	578,359.32	Non-payment

Item	December 31, 2017.	December 31, 2016.	Reason
Total	578,359.32	578,359.32	

32. Other Accounts Payable

(1) Other accounts payable listed by aging of the account

Aging	December 31, 2017.	December 31, 2016.
With 1 year	2,902,328,548.86	2,856,648,529.57
1 to 2 years	578,856,230.96	862,587,961.52
2 to 3 years	181,115,335.42	111,858,863.19
Over 3 years	257,008,401.92	751,637,813.03
Total	3,919,308,517.16	4,582,733,167.31

(2) Significant other accounts payable over 1 year

Company name	December 31, 2017.	Nature and reason
Chengdu Industrial Investment Group Co., Ltd	420,117,307.91	Equipment payments, loans, intercourse payments etc. , Not settled yet
Futures margin	89,088,918.16	Futures contract margin
Chengdu hi-tech zone technology innovation service center	54,272,124.57	Amount overpaid of tianfu software park f area
Futures risk reserves	49,748,516.72	Risk reserves
China Southwest Architectural Design and Research Institute Co., Ltd	30,240,000.00	Performance bond, not refund yet
Western district office	22,500,000.00	Not settled yet
Chengdu Construction Engineering Group General Company	21,788,860.72	Exchange reserve, intercourse payments, Unsettled
Chengdu Construction Road And Bridge Construction Co., Ltd.	18,897,329.12	Performance bond, not refund yet
Chengdu Municipal Engineering Design And Research Institute	17,481,412.97	Performance bond, not refund yet
China Airport Port Construction No.9 Engineering General Team	16,913,082.00	Performance bond, not refund yet
The Commerce Of Binghe Spring	15,315,538.19	Not settled yet
Chengdu No.7 Construction Engineering Company	10,600,000.00	Performance bond, not refund yet

Company name	December 31, 2017.	Nature and reason
Sichuan Coal Mine Basic Construction Engineering Company	10,100,000.00	Performance bond, not refund yet
Sichuan Zhonglin Construction Co., Ltd.	10,000,000.00	Performance bond, not refund yet
Longsheng International Construction Group Co., Ltd.	10,000,000.00	Performance bond, not refund yet
Henan Guoji Construction Group Co., Ltd.	10,000,000.00	Performance bond, not refund yet
Chengdu No.5 Construction Engineering Company	10,000,000.00	Performance bond, not refund yet
Sichuan Jian'an Construction Engineering Group Co., Ltd.	10,000,000.00	Performance bond, not refund yet
Sichuan Changyuan Construction Engineering Co., Ltd.	10,000,000.00	Performance bond, not refund yet
Sichuan Da'an Construction Engineering Co., Ltd.	10,000,000.00	Performance bond, not refund yet
Sichuan Hongye Construction Co., Ltd.	10,000,000.00	Performance bond, not refund yet
Total	857,063,090.36	

33. Provision for Insurance Contracts

Item	December 31, 2017.	December 31, 2016.
Unearned premium reserve	1,445,664.85	3,797,793.33
Guarantee compensation reserve	652,197,962.81	610,583,617.71
Total	653,643,627.66	614,381,411.04

(1) Unearned premium reserve

A. The change of unearned premium reserve

Item	December 31, 2016.	Increase	Decrease				December 31, 2017.
			Compensate	Early release	Other	Total	
Unearned premium reserve	3,797,793.33	1,347,895.05		3,700,023.53		3,700,023.53	1,445,664.85

Note: CDHTI Guarantee Co. set aside unearned premium reserve according to 50% of current guaranteed income. While when the guarantee period expired, CDHTI Guarantee Co. switched back the corresponding unearned premium reserve. The balance of unearned premium reserve was 50% of unexpired guarantee income.

B. The deadline for unearned premium reserve

Item	December 31, 2017.		December 31, 2016.	
	Within 1 year	Over 1 year	Within 1 year	Over 1 year
Unearned premium reserve	1,347,895.05	97,769.8	3,145,124.94	652,668.39

(2) Guarantee compensation reserve

Item	December 31, 2016.	Increase	Decrease	December 31, 2017.
Guarantee compensation reserve	610,583,617.71	54,083,023.75	12,468,678.65	652,197,962.81

Note: The guarantee compensation reserve of CDHTI Guarantee Co. in 2017 includes those two parts:

A. Set aside RMB 1,737,793.67 yuan at the rate of 1% of the balance of guarantee liability of 2017.

B. For the compensatory project, CDHTI Guarantee Co. set aside RMB 52,345,230.08 yuan in accordance with case-by-case estimation method.

34. Non-Current Liabilities Coming Due within 1 Year

Item	December 31, 2017.	2016 年 12 月 31 日
Long-term loan	6,434,461,250.00	3,665,487,500.00
Including: Credit loan	2,622,600,000.00	475,300,000.00
Guaranteed loan	534,781,250.00	420,287,500.00
Mortgage loan	3,277,080,000.00	2,227,900,000.00
Pledge loan		542,000,000.00
Bonds payable	2,140,000,000.00	140,000,000.00
Long-term payable	89,996,100.00	94,626,402.86
Total	8,664,457,350.00	3,900,113,902.86

35. Other Current Liabilities

Item	December 31, 2017.	December 31, 2016.
Pending changerover output VAT	21,721,282.26	24,211,233.36
Other	223,123,173.92	
Total	244,844,456.18	24,211,233.36

Note: It was the larger part of the accumulated financial allocations of the agent-construction project than the corresponding accumulative expenses. Please refer to Note V.10.(1) for the details.

36. Long-term Loan

(1) Category of long-term loan

Item	December 31, 2017.	December 31, 2016.
Credit loan	5,805,100,000.00	3,591,000,000.00
Guaranteed loan	1,069,562,500.00	1,159,850,000.00

Item	December 31, 2017.	December 31, 2016.
Mortgage loan	6,759,960,000.00	7,899,660,000.00
Pledge loan		989,000,000.00
Subtotal	13,634,622,500.00	13,639,510,000.00
Less: Coming due within 1 year (note V.34)	6,434,461,250.00	3,665,487,500.00
Total	7,200,161,250.00	9,974,022,500.00

(2) Guaranteed loan

Debtor	December 31, 2017.	Including: Coming due within 1 year	Guarantor
The Company	500,000,000.00	500,000,000.00	CDHTI Real Estate Co.
CDHTI Construction Co.	69,562,500.00	34,781,250.00	The company
CDHTI Asset Management Co.	500,000,000.00		The company
Total	1,069,562,500.00	534,781,250.00	

(3) Please refer to Note V.24 for the restricted of ownership.

37. Bonds Payable

Bond name	Book value	Issue date	Period	Issue amount
12 CDHTI	700,000,000.00	2012/11/22	7 years	693,923,000.00
2017 Shuangchuang Bond 1 st Period	500,000,000.00	2017/05/09	5 years	499,413,694.69
2017 Shuangchuang Bond 2 nd Period	250,000,000.00	2017/11/08	5 years	249,731,625.00
2017 Short-term Notes 1 st Period	1,000,000,000.00	2017/11/03	270 days	999,889,500.00
2017 Short-term Notes 2 nd Period	1,000,000,000.00	2017/12/04	270 days	999,889,500.00
2017 Medium-term Notes	1,200,000,000.00	2017/12/06	5 years	1,199,270,261.66
Total	4,650,000,000.00			4,642,117,581.35

Continued:

Bond name	December 31, 2017.	The current issue	Withdraw interest at par	Overflow discount amortization	The current payback	December 31, 2107.
12 CDHTI	420,664,593.24		25,643,333.33	762,527.61	166,376,000.00	280,694,454.18
2017 Shuangchuang Bond 1 st Period		499,413,694.69	17,298,630.14	64,736.93		516,777,061.76
2017 Shuangchuang Bond 2 nd Period		249,731,625.00	1,560,958.90	5,684.82		251,298,268.72
2017 Short-term Notes 1 st Period		999,889,500.00	6,641,095.89	19,644.44		1,006,550,240.33

Bond name	December 31, 2017.	The current issue	Withdraw interest at par	Overflow discount amortization	The current payback	December 31, 2107.
2017 Short-term Notes 2 nd Period		999,889,500.00	2,505,753.42	6,957.41		1,002,402,210.83
2017 Medium-term Notes		1,199,270,261.66	2,820,821.92	5,348.28		1,202,096,431.86
Including: interest payable	2,198,000.00					32,292,593.60
Coming due within 1 year (Note V.34)	140,000,000.00					2,140,000,000.00
Total	278,466,593.24	3,948,194,581.35	56,470,593.60	864,899.49	166,376,000.00	2,087,526,074.08

38. Long-term Payable

Item	December 31, 2017.	December 31, 2016.
Finance lease payable	190,402,749.05	285,042,706.71
Unrecognized finance fees	-3,906,634.71	-8,882,124.54
Subtotal	186,496,114.34	276,160,582.17
Including: coming due within 1 year (note V.34)	89,996,100.00	94,626,402.86
Total	96,500,014.34	181,534,179.31

Note 1: In November 2014, CDHTI Real Estate Co. signed a sale-leaseback agreement on underground pipe equipment in Tianfu Software Park with China National Foreign Trade Financial&Leasing Co., Ltd. The principle of the loan was RMB 300 million, and the period was 5 years. At the end of 2017, the balance of the principle of the loan was RMB 140 million.

Note 2: In May 2015, CDHTI Real Estate Co. signed a sale-leaseback agreement on water supply equipment in Tianfu Software Park with Jiangsu Financial Leasing Co., Ltd. The principle of the loan was RMB 100 million, and the period was 4 years. At the end of 2017, the balance of the principle of the loan was RMB 30 million.

Note 3: In August 2016, the Company signed a sale-leaseback agreement on roads in block B and C in Tianfu Software Park 2nd period, roads and pipe equipment in Tianfu Software Park 3rd period and 4th period with Everbright Financial Leasing Co., Ltd. The principle of the loan was RMB 300 million, and the period was 3 years. At the end of 2017, the balance of the principle of the loan was RMB 20.3736 million.

39. Long-term Payroll Payable

Item	December 31, 2017.	December 31, 2016.
Long-term payroll payable	1,598,142.47	1,569,672.56
Total	1,598,142.47	1,569,672.56

Note: The balance was dismission welfare payable.

40. Specific Payable

Item	December 31, 2016.	Increase	Decrease	December 31, 2017.
Venture angel investment fund	132,039,063.00	9,847,446.45	31,912,874.71	109,973,634.74
Software industry base allocation	38,594,277.43			38,594,277.43
Small loan guarantee fund for self-employed entrepreneurs in high-tech zone	5,159,583.59	84,587.02	200.00	5,243,970.61
Local bond funds	2,225,596.16			2,225,596.16
Others	981,231.20	757,340.00	544,354.20	1,194,217.00
Total	178,999,751.38	10,689,373.47	32,457,428.91	157,231,695.94

41. Estimated Liabilities

Item	December 31, 2017.	December 31, 2016.
External guarantee (note)	79,547,318.50	79,547,318.50
Pending litigation (note)		300,000.00
Others	93,455.45	
Total	79,640,773.95	79,847,318.50

Note: Please refer to Note X.2 for details.

42. Deferred Income

(1) Category of deferred income

Item	December 31, 2016.	Increase	Decrease	December 31, 2017.
Government subsidy	18,506,253.45	20,000,000.00	7,222,297.26	31,283,956.19
Total	18,506,253.45	20,000,000.00	7,222,297.26	31,283,956.19

(2) Detail of government subsidy

Item	December 31, 2016.	Amount of newly subsidy	Profit and loss amount recorded in the current period	December 31, 2017.
Government subsidy for new generation of information technology incubation park		12,000,000.00		12,000,000.00
Government subsidy for biomedical innovation incubation park		8,000,000.00		8,000,000.00
Government subsidy for modification works of import food	6,358,333.45		174,999.96	6,183,333.49

Item	December 31, 2016.	Amount of newly subsidy	Profit and loss amount recorded in the current period	December 31, 2017.
trade center				
Special funds to improve financing environment for the development of small and medium-sized enterprises	2,000,000.00			2,000,000.00
Special fund for public platform of service outsourcing	2,000,000.00			2,000,000.00
National software public service platform funds	950,000.00			950,000.00
Government subsidies for technology companies	307,920.00		157,297.30	150,622.70
Electronic information technology development foundation	4,040,000.00		4,040,000.00	
Special funds for the development of small and medium-sized enterprises	1,850,000.00		1,850,000.00	
Government subsidy for chengdu small business start-up base project	1,000,000.00		1,000,000.00	
Total	18,506,253.45	20,000,000.00	7,222,297.26	31,283,956.19

43. Other Non-current Liabilities

Item	December 31, 2017.	December 31, 2016.
Other (note)	355,500,000.00	396,000,000.00
Total	355,500,000.00	396,000,000.00

Note: It was the equity investment in Yingkai Co. from other shareholders outside the Group. Please refer to Note VII.1.(2) for details.

44. Paid-in Capital

Item	December 31, 2016.	Increase	Decrease	December 31, 2017.
Bureau of finance and financial services of Chengdu Hi-Tech Industrial Development Zone	13,495,537,697.03	1,458,000,000.00		14,953,537,697.03

Note: in 2017, Bureau of finance and financial services of Chengdu Hi-Tech Industrial Development Zone increased the paid-in capital by RMB 1,458,000,000.00.

Continued:

Item	December 31, 2015.	Increase	Decrease	December 31, 2016.
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Item	December 31, 2015.	Increase	Decrease	December 31, 2016.
Bureau of finance and financial services of Chengdu Hi-Tech Industrial Development Zone	13,495,537,697.03			13,495,537,697.03

Continued:

Item	December 31, 2014.	Increase	Decrease	December 31, 2015.
Bureau of finance and financial services of Chengdu Hi-Tech Industrial Development Zone	13,495,537,697.03			13,495,537,697.03

45. Capital Reserves

Item	December 31, 2016.	Increase	Decrease	December 31, 2017.
Capital premium	1,087,549,400.00	24,838,705.76		1,112,388,105.76
Other capital reserves	17,404,820.78			17,404,820.78
Total	1,104,954,220.78	24,838,705.76		1,129,792,926.54

Continued:

Item	December 31, 2015.	Increase	Decrease	December 31, 2016.
Capital premium	260,000,000.00	827,549,400.00		1,087,549,400.00
Other capital reserves	17,404,820.78			17,404,820.78
Total	277,404,820.78	827,549,400.00		1,104,954,220.78

Continued:

Item	December 31, 2014.	Increase	Decrease	December 31, 2015.
Capital premium		260,000,000.00		260,000,000.00
Other capital reserves	13,184,820.78	4,220,000.00		17,404,820.78
Total	13,184,820.78	264,220,000.00		277,404,820.78

Note 1: Other capital reserves were mainly donations received by the Company in previous years.

Note 2: In 2017, Chengdu Hi-Tech Industrial Development Zone Planning Land Construction Bureau allocated appliances and other assets in the employees' apartment of RMB 24,707,258.46 yuan to the Company, which were included in the capital reserves. Besides, the Company increase

capital to the subsidiary to form the purchase of minority shareholders' equity, and adjust the capital reserve of RMB 131,447.30 yuan at the level of the merger.

46. Other Comprehensive Income

Item	December 31, 2016.	Increase/Decrease					December 31, 2017.
		Change in the current period	Including: amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period	Income tax expense	After-tax attribute to the parent company	After-tax attribute to minority shareholder	
Other comprehensive income reclassified into profits and losses	178,826,117.55	-6,188,774.03			-5,693,128.41	-495,645.62	173,132,989.14
Including: Shares in other comprehensive income shall be reclassified into profits or losses in future in investee entity under the equity method	173,209,517.65	16,478.80			16,478.80		173,225,996.45
Profits or losses from the change of fair value of available-for-sale financial assets	5,616,599.90	-6,205,252.83			-5,709,607.21	-495,645.62	-93,007.31
Total	178,826,117.55	-6,188,774.03			-5,693,128.41	-495,645.62	173,132,989.14

Continued:

capital to the subsidiary to form the purchase of minority shareholders' equity, and adjust the capital reserve of RMB 131,447.30 yuan at the level of the merger.

46. Other Comprehensive Income

Item	December 31, 2016.	Increase/Decrease					December 31, 2017.
		Change in the current period	Including: amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period	Income tax expense	After-tax attribute to the parent company	After-tax attribute to minority shareholder	
Other comprehensive income reclassified into profits and losses	178,826,117.55	-6,188,774.03			-5,693,128.41	-495,645.62	173,132,989.14
Including: Shares in other comprehensive income shall be reclassified into profits or losses in future in investee entity under the equity method	173,209,517.65	16,478.80			16,478.80		173,225,996.45
Profits or losses from the change of fair value of available-for-sale financial assets	5,616,599.90	-6,205,252.83			-5,709,607.21	-495,645.62	-93,007.31
Total	178,826,117.55	-6,188,774.03			-5,693,128.41	-495,645.62	173,132,989.14

Continued:

Item	December 31, 2015.	Increase/Decrease					December 31, 2016.
		Change in the current period	Including: amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period	Income tax expense	After-tax attribute to the parent company	After-tax attribute to minority shareholder	
Other comprehensive income reclassified into profits and losses	277,958,749.20	-126,754,257.85			-99,132,631.65	-27,621,626.20	178,826,117.55
Including: Shares in other comprehensive income shall be reclassified into profits or losses in future in investee entity under the equity method	173,189,315.92	20,215.71			20,201.73	13.98	173,209,517.65
Profits or losses from the change of fair value of available-for-sale financial assets	62,669,934.73	-56,608,642.65			-57,053,334.83	444,692.18	5,616,599.90
Balance arising from translation of foreign currency financial statements	42,099,498.55	-70,165,830.91			-42,099,498.55	-28,066,332.36	0.00
Total	277,958,749.20	-126,754,257.85			-99,132,631.65	-27,621,626.20	178,826,117.55

Continued:

Item	December 31, 2014.	Increase/Decrease					December 31, 2015.
		Change in the current period	Including: amount transferred into profit and loss in the current period that recognized into other comprehen- sive income in prior period	Income tax expense	After-tax attribute to the parent company	After-tax attribute to minority shareholder	
Other comprehensive income reclassified into profits and losses	297,975,043.29	-50,974,216.46			-20,016,294.09	-30,957,922.37	277,958,749.20
Including: Shares in other comprehensive income shall be reclassified into profits or losses in future in investee entity under the equity method	138,656,787.91	2,983,466.69			34,532,528.01	-31,549,061.32	173,189,315.92
Profits or losses from the change of fair value of available-for-sale financial assets	118,126,240.72	-55,470,156.30			-55,456,305.99	-13,850.31	62,669,934.73
Balance arising from translation of foreign currency financial statements	41,192,014.66	1,512,473.15			907,483.89	604,989.26	42,099,498.55
Total	297,975,043.29	-50,974,216.46			-20,016,294.09	-30,957,922.37	277,958,749.20

47. Retained Earnings

Item	December 31, 2017.	December 31, 2016.	December 31, 2015.
Opening balance of retained earnings before adjustments	-978,021,566.89	-1,824,965,087.46	459,481,968.88
Total amount of retained earnings at the beginning of adjustment		6,260,488.72	-2,066,111,070.85
Opening balance of retained earnings after adjustments	-978,021,566.89	-1,818,704,598.74	-1,606,629,101.97
Add: Net profit attributable to owners of the company	73,452,310.47	840,683,031.85	59,644,381.75
Less: Accrued statutory surplus reserve			
Accrued discretionary surplus reserve			
Dividend of common stock payable			60,000,000.00
Other			211,719,878.52
Closing retained earnings	-904,569,256.42	-978,021,566.89	-1,818,704,598.74

Note 1: Dividends of common stock payable were dividends payable Bureau of Finance and Financial Services of Chengdu Hi-Tech Industrial Development Zone.

Note 2: Others in 2015 were directional additional shares to Hi-Tech Development Co. As a result, minority shareholding ratio was diluted, it is considered to further increase its shareholding in the Hi-Tech Development Co. within the scope of the merger. At the consolidation level, the retained earnings were reduced by RMB 210.4883 million.

48. Operating Revenues and Operating Costs

Item	2017		2016		2015	
	Revenue	Cost	Revenue	Cost	Revenue	Cost
I. Main business						
1. Park	2,205,326,790.24	1,679,286,054.79	2,317,545,924.47	1,317,625,001.53	1,780,408,414.02	881,956,073.71
a. Park sales	1,575,048,271.00	1,198,768,781.11	1,614,249,866.77	889,977,388.41	1,102,324,390.30	533,539,733.10
b. Park lease	477,253,558.82	329,926,596.69	508,088,927.16	298,536,807.07	487,909,574.75	256,202,153.16
c. Other park supporting services	153,024,960.42	150,590,676.99	195,207,130.54	129,110,806.05	190,174,448.97	92,214,187.45
Including: Funds for construction work	80,637,142.41	17,707,610.35	131,751,782.92	24,145,077.55	146,223,132.47	17,044,183.75
Property management	54,260,724.65	110,342,330.52	40,936,970.84	82,142,838.98	22,536,665.77	53,517,823.53

Item	2017		2016		2015	
	Revenue	Cost	Revenue	Cost	Revenue	Cost
Tianfu software park management services	1,208,148.15	22,540,736.12	2,541,852.07	22,822,889.52	4,461,323.57	21,652,180.17
Parking fee	16,918,945.21		19,976,524.71	-	16,953,327.16	-
2. Construction	391,130,706.50	384,025,358.50	921,621,144.20	891,160,814.29	1,582,089,866.28	1,546,110,699.56
3. Commercial real estate	206,707,358.01	138,432,180.74	498,217,352.69	477,530,311.62	457,753,444.85	324,724,910.93
4. Residence	32,873,345.92	35,106,525.79	204,842,979.13	170,947,576.53	1,009,359,539.15	712,703,010.48
5. Commodity Sales	374,413,695.91	358,797,195.61	298,718,893.59	283,109,836.10	362,666,693.78	328,114,531.12
6. Other	186,381,945.72	43,291,382.32	201,567,685.04	54,066,719.60	187,821,925.81	60,832,036.44
a. Futures management	61,106,612.83		63,603,653.84	-	67,474,819.60	
b. Kitchen cabinet manufacturing	27,509,716.07	22,743,028.94	47,791,387.34	36,119,698.30	34,179,528.30	25,681,446.96
c. Hotel service	34,309,915.33	6,668,457.77	27,519,890.58	5,249,502.31	26,681,233.77	4,997,257.14
d. Other	63,455,701.49	13,879,895.61	62,652,753.28	12,697,518.99	59,486,344.14	30,153,332.34
Subtotal	3,396,833,842.30	2,638,938,697.75	4,442,513,979.12	3,194,440,289.67	5,380,099,883.89	3,854,441,262.24
II. Other business						
Consulting fee	1,963,997.83		2,832,191.21		9,621,584.82	
Green management fee					106,974.00	106,974.00
Interest of loan	24,581,024.66		81,592.38		4,052,843.28	
Others	24,952,654.04	7,183,483.49	10,685,467.96	10,308,714.75	24,274,046.35	5,716,387.09
Subtotal	51,497,676.53	7,183,483.49	13,599,251.55	10,308,714.75	38,055,448.45	5,823,361.09
Total	3,448,331,518.83	2,646,122,181.24	4,456,113,230.67	3,204,748,974.42	5,418,155,332.34	3,860,264,623.33

49. Interest Income

Item	2017	2016	2015
Interest of loan	12,620,659.87	19,908,677.79	52,956,432.37
Interest of guarantee	1,681,090.47	4,860,786.54	11,470,749.75
Total	14,301,750.34	24,769,464.33	64,427,182.12

50. Insurance Premiums Earned

Item	2017		2016		2015	
	Revenue	Cost	Revenue	Cost	Revenue	Cost
Insurance premiums earned	2,695,790.07		7,595,586.65		37,130,910.22	

51. Net Provision for Insurance Contracts

Item	2017	2016	2015
Unearned premium reserve	-2,352,128.48	-15,271,681.59	-26,195,452.63
Guarantee compensation reserve	-34,527,573.04	125,963,538.45	247,234,116.97
Total	-36,879,701.52	110,691,856.86	221,038,664.34

52. Cession Charges

Item	2017	2016	2015
Cession charges	34,837.73	195,539.62	
Total	34,837.73	195,539.62	

53. Tax and Surcharge

Item	2017	2016	2015
Business tax	-48,835.92	70,566,040.37	268,821,360.82
Urban maintenance and construction tax	10,582,874.91	12,672,151.41	18,684,909.70
Education Surcharge	4,554,418.46	5,496,128.95	8,329,943.70
Housing property tax	123,279,444.94	111,808,848.69	64,349,720.08
Local education surcharge	3,036,729.21	3,688,566.63	5,607,426.25
Land-use tax	15,191,923.49	18,478,275.65	9,642,418.35
Price regulation fund	12,877.51	38,587.57	4,431,605.76
Stamp tax	5,252,410.72	2,316,612.92	
Land value added tax	155,874,824.58	184,186,097.93	114,803,491.31
Other	95,838.04	160,883.52	2,136,989.36
Total	317,832,505.94	409,412,193.64	496,807,865.33

54. Financial Expenses

Item	2017	2016	2015
Interest expenses	444,795,117.13	584,550,165.09	542,833,919.37
Less: interest income	75,328,565.16	69,866,723.35	84,439,130.29
Exchange net profit or less	141,485.13	-70,311,205.52	1,367,857.55
Other	895,806.82	1,051,559.28	1,704,597.14
Total	370,503,843.92	445,423,795.50	461,467,243.77

55. Asset Impairment Loss

Item	2017	2016	2015
Bad debt loss	30,364,432.77	-9,122,599.47	10,746,325.03

Item	2017	2016	2015
Loan loss reserves	2,457,119.59	8,857,770.03	15,409,177.25
Inventory falling price loss	-29,468.26	3,679,798.42	43,309,745.97
Provision for impairment on available-for-sale financial assets	1,800,000.00	217,059.97	1,505,949.82
Other	4,267,054.22	654,312.00	
Total	38,859,138.32	4,286,340.95	70,971,198.07

56. Gains From Changes in Fair Value

Item	2017	2016	2015
Financial assets measured at fair value through profits and losses	33,384,689.58	-2,161,019.85	17,647,000.94
Total	33,384,689.58	-2,161,019.85	17,647,000.94

57. Investment Income

Item	2017	2016	2015
Investment income received from disposal available-for-sale financial assets (note)	7,184,056.27	595,351,265.89	114,286,417.50
Long-term equity investment income accounted by equity method	300,400,083.62	256,769,803.66	-57,635,331.63
Investment income received from disposal long-term equity investment	14,972,523.15		
Gain from holding of available-for-sale financial assets	3,918,742.69	6,177,169.98	4,813,880.00
Gain from holding of financial assets measured by fair value and the changes be included in the current profits and losses		196,456.35	
Investment income received from disposal of financial assets measured by fair value and the changes be included in the current profits and losses	12,150,401.01		12,514,496.20
Other	427,026.80		11,340,923.86
Total	339,052,833.54	858,494,695.88	85,320,385.93

Note: please refer to Note V.14 for the detail of investment income received from disposal available-for-sale financial assets.

58. Asset Disposal Income

Item	2017	2016	2015
Profits of disposal of investment real estate	266,835.20	1,340,098.40	
Others	4,443.77	-27,005.69	1,057.03
Total	271,278.97	1,313,092.71	1,057.03

59. Other Income

Item	2017	2016	2015
Government subsidy	37,571,087.26		
Total	37,571,087.26		

Note: please refer to Note V.63 for the detail of government subsidy.

60. Non-operating Income

(1) List of non-operating income

Item	2017	2016	2015
Donation received	13.00		
Government subsidy	2,710,366.94	150,299,048.43	97,802,542.98
Fee refund		1,817.61	8,345.60
Default income	11,535,836.81	2,444,513.14	403,440.28
Penalty Incomes		20,000.00	27,635.01
Other	2,028,171.43	6,349,101.42	2,825,372.59
Total	16,274,388.18	159,114,480.60	101,067,336.46

(2) Detail of government subsidy

Item	2016	2015	Source and basis
Subsidy fund of BOE entrusts loan project	101,713,611.11	26,820,000.00	Chengdu Hi-Tech Industrial Development Zone Economic And Trade Development Bureau
Discount interest of Significant industrial investment	9,142,579.74	11,737,600.00	Chengdu Hi-Tech Zone Management Committee
Software industry support fund of Tianfu software park	6,375,300.00	12,504,300.00	Chengdu Hi-Tech Industrial Development Zone Economic And Trade Development Bureau
Loan guarantee risk compensation special funds for Chengdu small and medium-sized enterprises	5,000,000.00	2,452,500.00	Chengdu Hi-Tech Industrial Development Zone Economic And Trade Development Bureau
Innovative financing projects for small and medium-sized enterprises	3,970,000.00	5,950,000.00	Chengdu Hi-Tech Industrial Development Zone Economic And Trade Development Bureau

Item	2016	2015	Source and basis
Science and technology project funding	3,700,000.00		Chengdu High-Tech Industry Development Zone Science And Technology Bureau
Services development support funds	2,500,000.00		Chengdu Hi-Tech Industrial Development Zone Economic And Trade Development Bureau
Chengdu high-tech zone "three start-ups" industrial policy project funds	2,144,000.00	4,000,000.00	Chengdu Hi-Tech Industrial Development Zone Economic And Trade Development Bureau
Subsidy for Tianfu high - tech Windows operating fee	2,000,000.00	2,113,181.54	Chengdu Hi-Tech Zone Management Committee
Steady-post subsidies	1,366,002.27	28,956.62	Chengdu High-Tech Industrial Development Zone Human Resources And Social Security Bureau
Central special fund subsidy for Small and micro enterprises entrepreneurship and innovation base model city	1,300,000.00		Chengdu High-Tech Industry Development Zone Science And Technology Bureau
2016 tianfu talent action subsidy	1,200,000.00		Chengdu High-Tech Industrial Development Zone Human Resources And Social Security Bureau
Discount interest of "expand loan" credit product risk reserve	1,033,399.81	350,577.97	Chengdu Hi-Tech Zone Management Committee
Government subsidies for the development of small and medium-sized enterprises	1,004,100.00	3,350,000.00	Chengdu Hi-Tech Industrial Development Zone Economic And Trade Development Bureau
Risk subsidy of science and technology small and medium-sized enterprises technology innovation fund	676,666.66	676,666.67	Technical Innovation Fund Management Center Of Science And Technology Small And Medium-Sized Enterprises Of The Ministry Of Science And Technology
Discount interest for "science and technology" credit product risk reserve	631,238.96	1,202,805.48	Bureau of finance and financial services of Chengdu Hi-Tech Industrial Development Zone
Equity investment project subsidy funds	600,000.00		
Research fund for comprehensive service platform of science and technology finance for small and medium-sized enterprises	600,000.00	600,000.00	
Software service outsourcing public	500,000.00		Chengdu Hi-Tech Industrial Development Zone

Item	2016	2015	Source and basis
technical platform project subsidy			Economic And Trade Development Bureau
2012 bonds (industrial park discount)		1,000,000.00	Chengdu Hi-Tech Industrial Development Zone Economic And Trade Development Bureau
Industrial park industry development guide funds in 2015		8,710,000.00	Chengdu Hi-Tech Industrial Development Zone Economic And Trade Development Bureau
High-tech incubator subsidy funds and start-up nursery funds in 2015		700,000.00	Chengdu Hi-Tech Zone Technology Innovation Service Center
Provincial science and technology service platform construction and demonstration project in 2015		1,500,000.00	Chengdu High-Tech Industry Development Zone Science And Technology Bureau
Special building economic industry support funds in 2015		5,300,000.00	Chengdu Hi-Tech Industrial Development Zone Economic And Trade Development Bureau
Subsidies for Science and technology small and medium-sized enterprises venture capital guide fund		700,000.00	Ministry Of Science And Technology
Others	4,842,149.88	8,105,954.70	
Total	150,299,048.43	97,802,542.98	

Note 1: All the above government subsidies related to income.

Note 2: Please refer to note V.63 for the detail of government subsidies in 2017.

61. Non-operating Expenses

Item	2017	2016	2015
Damage and abandonment loss on non-current assets	279,734.59		23,484,604.02
Inventory loss		15,464.97	104,779.56
Donation	828,342.10	21,970.00	128,000.00
Compensation	936,256.05	6,746,720.30	6,490,391.20
Penalty loss	40,638.04		
Others	1,173,243.30	36,412,166.28	498,384.96
Total	3,258,214.08	43,196,321.55	30,706,159.74

62. Income Tax Expenses

Item	2017	2016	2015
Current income tax expenses	-20,691,170.84	116,614,837.40	113,861,629.32

Deferred income tax expenses	47,999,085.10	-59,811,289.09	9,324,732.58
Total	27,307,914.26	56,803,548.31	123,186,361.90

63. Government Subsidy

(1) Detail of government subsidy

Item	Source and basis	Accounting subject	Amount
Financial support and government incentives		Non-operating income	2,356,166.94
winpower information platform allocation		Non-operating income	350,000.00
Others		Non-operating income	4,200.00
subsidies for Comprehensive bonded area A standard workshop 1st period project	Bureau of finance and financial services of Chengdu Hi-Tech Industrial Development Zone	Other income	10,797,995.08
Loan guarantee risk compensation special funds for Chengdu small and medium-sized enterprises	Bureau of finance and financial services of Chengdu Hi-Tech Industrial Development Zone	Other income	5,000,000.00
Chengdu high-tech zone "three start-ups" financial policy project funds	Chengdu High-Tech Zone Financial Service Bureau	Other income	3,007,700.00
tianfu talent action subsidy	Party Working Department Of Chengdu High-Tech Industrial Development Zone	Other income	3,000,000.00
Government subsidies for the development of small and medium-sized enterprises	Chengdu Hi-Tech Industrial Development Zone Economic And Trade Development Bureau	Other income	2,900,000.00
Special building economic industry support funds	Economic Operation And Production Safety Supervision Bureau Of Chengdu High-Tech Industrial Development Zone	Other income	2,700,000.00
National special construction fund financing subsidy funds	Chengdu Hi-Tech Industrial Development Zone Economic And Trade Development Bureau	Other income	1,600,000.00
government subsidy for Chengdu small and medium-sized enterprises development special fund service system project	Chengdu Economic And Information Commission	Other income	1,000,000.00
Services development support funds	Chengdu Hi-Tech Industrial Development Zone Economic And Trade Development Bureau	Other income	1,000,000.00
Government subsidy for chengdu small	Chengdu Hi-Tech Industrial Development Zone	Other income	1,000,000.00

Item	Source and basis	Accounting subject	Amount
business start-up base project	Economic And Trade Development Bureau		
Subsidies for Science and technology small and medium-sized enterprises venture capital guide fund	Sichuan Science And Technology Department	Other income	850,000.00
Special subsidy for the construction of international science, technology and financial innovation center	Chengdu Hi-Tech Zone Management Committee	Other income	832,900.00
Research fund for comprehensive service platform of science and technology finance for small and medium-sized enterprises	Ministry Of Finance Of The People's Republic Of China	Other income	592,389.40
Government subsidies for financial support programs	Bureau of finance and financial services of Chengdu Hi-Tech Industrial Development Zone	Other income	500,000.00
Special action award for helping small and micro enterprises	Ministry Of Industry And Information Technology Of The People's Republic Of China	Other income	450,000.00
Steady-post subsidies	Chengdu High-Tech Industrial Development Zone Human Resources And Social Security Bureau	Other income	371,050.79
Subsidy for Tianfu high - tech Windows operating fee	Chengdu Hi-Tech Industrial Development Zone Management Committee Office	Other income	240,464.93
Others		Other income	1,728,587.06
Discount interest of "Growth Loan" Special Risk Compensation	Bureau of finance and financial services of Chengdu Hi-Tech Industrial Development Zone	Financial expenses	256,500.00
Discount interest of "expand loan" credit product risk reserve	Chengdu Hi-Tech Zone Management Committee	Financial expenses	963,194.45
Discount interest for "science and technology" credit product risk reserve	Bureau of finance and financial services of Chengdu Hi-Tech Industrial Development Zone	Financial expenses	2,407,986.10
Discount interest of Significant industrial investment	Chengdu Hi-Tech Zone Management Committee	Financial expenses	9,117,600.01
Subsidy fund of BOE entrusts loan project	Chengdu Hi-Tech Industrial Development Zone Economic and Trade Development Bureau	Financial expenses	162,734,444.44
Total			215,761,179.20

(2) Refund of government subsidy

In the current period, there was no refund of government subsidy.

64. Note to Consolidated Cash Flow Statement

(1) Note to the consolidated cash flow statement

A. Other cash received related to operating activities

Item	2017	2016	2015
Agent-construction funds	3,174,614,325.49	3,093,856,366.97	4,151,416,105.51
Intercourse payments (Reserve fund, collection agent payment, etc)	2,817,381,545.20	790,432,914.31	607,949,751.63
Margins received	903,418,397.84	1,108,776,798.44	1,761,280,315.94
Compensatory and interest received	136,154,256.63	25,848,576.89	3,108,584.30
Government subsidy	65,282,258.84	37,105,417.15	25,820,133.84
Refundable deposits	59,055,596.59	233,893,950.87	437,918,739.49
Interest income received	55,818,779.98	24,484,981.20	20,914,339.88
Recovery of the entrusted loan	40,500,000.00		
Meal card payment received	24,470,713.95	33,194,582.54	44,787,948.86
Other external units and personal intercourse payments, etc	1,352,464.95	731,374,846.44	
Others	103,438,499.69	64,497,939.19	172,464,900.22
Total	7,381,486,839.16	6,143,466,374.00	7,225,660,819.67

B. Other cash paid related to operating activities

Item	2017	2016	2015
Agent-construction payment paid	2,778,963,696.78	4,258,472,883.79	3,704,157,278.17
Margins paid	1,816,193,277.06	1,195,688,423.11	1,733,599,873.79
Intercourse payments (Reserve fund, collection agent payment, etc)	2,737,195,372.23	312,553,724.00	365,654,306.45
Expenses	77,841,339.10	86,110,304.76	95,411,437.64
Return real estate payments	55,393,203.00	155,396,367.00	
Meal card payment paid	25,110,152.11	34,514,689.55	42,236,668.15
Other external units and personal intercourse payments, etc	10,793,407.90	217,668,307.11	23,101,998.70
Refundable deposits	3,459,135.00	116,985,248.54	339,040,255.75
Non-operating expenses	2,178,365.08	6,755,544.42	955,621.46

Item	2017	2016	2015
Entrusted loans		396,000,000.00	
Others	24,532,496.05	1,483,469.62	237,402,432.07
Total	7,531,660,444.31	6,781,628,961.90	6,541,559,872.18

C. Other cash received related to investment activities

Item	2017	2016	2015
Merger of enterprises not under the same control	298,028,041.00		
Recovery of entrusted loan		10,000,000.00	102,545,653.94
Recovery of angel fund investment payment and interest received, etc.	13,847,446.45	8,271,101.15	14,933,820.80
Total	311,875,487.45	18,271,101.15	117,479,474.74

D. Other cash paid related to investment activities

Item	2017	2016	2015
Entrust loan	2,735,000,000.00	2,230,000,000.00	1,000,000,000.00
Risk reserves	18,000,000.00	70,000,000.00	
Angel fund investment payment and expenses	16,986,431.64	17,061,825.60	23,500,000.00
Project margin		1,800,000.00	
Total	2,769,986,431.64	2,318,861,825.60	1,023,500,000.00

E. Other cash received related to financing activities

Item	2017	2016	2015
Non-financing institute's loans received	447,000,000.00	396,000,000.00	
Monetary with restriction of ownership specific fund and interest	13,468,516.68	119,947.34	3,010,291.95
Recovery of angel fund investment payment and interest received, etc.			23,719,290.85
Others		1,812,525.61	
Total	460,468,516.68	397,932,472.95	26,729,582.80

F. Other cash paid related to financing activities

Item	2017	2016	2015
Return capital to minority shareholders of	40,500,000.00		

Item	2017	2016	2015
the subsidiary			
Financing expenses	3,763,648.44	3,727,464.60	70,570,754.99
Refund non-financing institute's loans		44,119,226.56	
Monetary with restriction of ownership		16,695,798.67	
Pay back angel fund and interest			2,423,828.52
Total	44,263,648.44	64,542,489.83	72,994,583.51

(2) Supplementary information to consolidated cash flow statement

Item	2017	2016	2015
1. Reconciliation of net profit to net cash flows generated from operating activities			
Net profit	87,821,099.02	887,049,330.65	80,331,854.37
Add: Provision for impairment of assets	38,859,138.32	4,286,340.95	70,971,198.07
Depreciation of fixed assets, of oil-gas assets, of productive biological assets	346,513,307.01	333,221,573.74	321,568,761.97
Amortization of intangible assets	3,967,860.11	3,938,821.43	3,795,102.73
Long-term unamortized expenses	3,977,971.37	5,087,763.07	5,576,829.01
Losses on disposal of fixed assets, intangible assets and other long-term assets	-266,835.20	-1,313,099.62	23,483,546.99
Losses on abandonment of fixed assets	226,872.58	15,471.88	
Losses from variation of fair value	33,384,689.58	2,161,019.85	-17,647,000.94
Financial cost	440,447,224.95	514,238,959.57	544,201,776.92
Investment loss	-339,052,833.54	-858,494,695.88	-73,627,896.21
Decrease in deferred income tax assets	47,999,109.95	-59,811,249.29	15,274,757.25
Increase on deferred income tax liabilities	-195,522.26	222,426.10	-13,673.18
Decrease in inventory	-894,178,344.92	1,273,314,822.97	3,034,426,836.14
Decrease in accounts receivable from operating activities	-1,117,174,989.27	179,036,401.23	-2,438,426,364.6
			3
Increase in payables from operating activities	-185,406,288.93	-2,613,695,467.00	-905,044,270.44
Others			
Net cash flows generated from operating activities	-1,533,077,541.24	-330,741,580.35	664,871,458.05
2. Investing and financing activities that do not			

Item	2017	2016	2015
involving cash receipts and payment			
Debt transferred as capital			
Convertible corporate bond due within one year			
Fixed assets from financing lease			
3. Net increase in cash and cash equivalents			
Closing balance of cash	6,184,352,039.46	5,782,603,235.54	5,312,080,224.01
Less: opening balance of cash	5,782,603,235.54	5,312,080,224.01	5,104,509,755.50
Add: closing balance of cash equivalents			
Less: opening balance of cash equivalents			
Net increase in cash and cash equivalents	401,748,803.92	470,523,011.53	207,570,468.51

(3) Cash and cash equivalents

Item	2017	2016	2015
Cash	6,184,352,039.46	5,782,603,235.54	5,312,080,224.01
Including: cash on hand	4,165,535.69	550,974.67	882,659.88
Bank deposit on demand	5,433,288,955.23	5,653,067,427.91	5,136,750,652.87
Other monetary fund on demand	746,897,548.54	128,984,832.96	174,446,911.26
Cash equivalents			
Closing balance of cash and cash equivalents	6,184,352,039.46	5,782,603,235.54	5,312,080,224.01
Not including: cash and cash equivalents with restriction of ownership	95,779,413.30	110,429,603.83	26,898,697.92

(4) Cash and cash equivalents with restriction of ownership

Item	2017	2016	2015
Fixed-term deposit and margin due over three months	5,229,045.33	12,702,013.30	2,171,960.48
Frozen monetary funds		25,474,036.70	19,207,602.00
Government specific funds (refer to note V. 1)	90,550,367.97	72,253,553.83	5,519,135.44
Total	95,779,413.30	110,429,603.83	26,898,697.92

VI. Change in Consolidation Scope

1. Business combination under different control

(1) business combination under different control in current period

Name of the acquiree	Time of gaining the stock rights	Equity acquisition cost (RMB)	Equity acquisition ratio	Equity acquisition method
Gexin Co.	December 15, 2017.	1,000,000,000.00	80.00%	Additional share

Continued:

Name of the acquiree	Purchase date	Recognition basis of purchase date	Income during the purchase date to period-end	Income during the purchase date to period-end
Gexin Co.	December 15, 2017.	Signed the contract and paid the equity acquisition cost		4,815.21

(2) Combined cost

Item	Gexin Co.
Cash	1,000,000,000.00
Fair value of non-cash assets	
Fair value of liabilities issued or undertaken	
Fair value of equity securities issued	
Fair value of contingent consideration	
Fair value of equity held before the purchase date on the purchase date	
Total combination cost	1,000,000,000.00
Less: shares of fair value of recognizable net assets obtained	1,000,000,000.00
Amount of shares of fair value recognizable net assets obtained minus goodwill/combination cost	

(3) The identifiable assets and liabilities of acquire on purchase date

Item	Gexin Co.	
	Fair value on purchase date	Book value on purchase date
Assets		
Monetary funds	531,973,344.28	531,973,344.28
Other current assets	1,743,879.05	1,743,879.05
Construction in progress	1,808,129,059.89	1,808,129,059.89
Total assets	2,341,846,283.22	2,341,846,283.22
Liabilities		
Short-term loan	1,000,000,000.00	1,000,000,000.00

Item	Gexin Co.	
	Fair value on purchase date	Book value on purchase date
Accounts payable	91,839,650.51	91,839,650.51
Other liabilities	1,817.50	1,817.50
Total liabilities	1,091,841,468.01	1,091,841,468.01
Net assets	1,250,004,815.21	1,250,004,815.21
Net assets obtained	1,250,004,815.21	1,250,004,815.21

Note: The above table discloses the statement data of the end of the month of the purchasing date.

2. Consolidation under same control

(1) Consolidation under same control in current period

Name of the acquiree	Percentage of shareholding acquired (%)	Basis for combination under same control	Combination date	Basis for combination date recognition
Mianyang Brilliant Co.	100.00	Ultimately under same control before and after acquisition and the control is not temporary	October 31, 2015.	paid the equity acquisition cost
Century Property Co.	100.00	Ultimately under same control before and after acquisition and the control is not temporary	October 20, 2015.	paid the equity acquisition cost

Name of the acquiree	Acquiree's income from the beginning of year of combination to acquisition date	Acquiree's net income from the beginning of year of combination to acquisition date	Acquiree's income for comparison period	Acquiree's net income for comparison period
Mianyang Brilliant Co.	3,270,416.00	-6,028,001.21	55,614,023.00	6,908,519.74
Century Property Co.	20,431,214.50	-62,848.61	25,657,964.51	-872,396.83

(2) Combination cost

Paid method	Mianyang Brilliant Co.	Century Property Co.
Cash	238,649,000.00	7,851,700.00
Total	238,649,000.00	7,851,700.00

(3) Book value of assets and liabilities of acquiree on acquisition date

Item	Mianyang Brilliant Co.		Century Property Co.	
	Acquisition date	Lasr year end	Acquisition date	Lasr year end
Assets:				
Monetary funds	22,900,074.94	15,437,074.41	12,840,875.65	6,868,155.11
Accounts receivable	36,237,972.06	43,228,943.48	1,273,888.73	1,980,124.53
Prepayment	896,898.67	155,932.45		
Other accounts receivable	1,394,108.70	144,040,269.91	358,639.38	6,214,262.63
Inventory	43,251,983.29	44,658,915.25		
Other current assets	1,206,628.73	1,181,876.75	140,439.95	-
Investment real estate	3,590,963.58	3,693,174.69		
Fixed assets	301,069.93	375,396.72	219,211.76	230,838.78
Deferred income tax assets	3,300,929.01	2,463,976.06		
Liabilities:				
Accounts payable	1,316,897.36	2,450,591.78		
Advance from customers	224,083.15	736,848.15	494,350.58	600,670.83
Other liabilities	9,801,815.06	106,011,439.76	8,387,983.22	8,679,139.94
Net assets	101,737,833.34	146,036,680.03	5,950,721.67	6,013,570.28
Acquired net assets	101,737,833.34	146,036,680.03	5,950,721.67	6,013,570.28

Note: the acquisition of the above two companies took place between the internal subsidiaries and did not change the scope of the merger of the Group, but the interest of the Group has changed accordingly.

3. Disposal subsidiary

In the current period, there was no case of loss of control caused by the disposal of investment in the subsidiary company.

4. Other reason of change in consolidation scope

(1) Upon the resolution of the shareholders' meeting, Tuoxin Co. was decided to dissolve and liquidate. The liquidation group was established on October 31, 2015, and the liquidation was completed on December 28, 2015. The consolidated financial statement for 2015 has been included in the income statement and cash flow statement of Tuoxin Co. from the beginning to the end of the liquidation.

(2) In 2016, the Company invested RMB 1 million yuan to set up a wholly-owned subsidiary Chengdu Hi-Tech Investment Biological Medicine Park Management Co., Ltd. As of December 31, 2017, Biological Medicine Park Co. is in normal operation.

(3) In 2016, the Company and CDHTI Winpower Co., a subsidiary of the Company, invested 1 million yuan respectively to participate in setting up Chengdu Yingkai Investment Co., Ltd. As of December 31, 2017, the Group totally holds a 0.50% stake in Yingkai Co., and Yingkai Co. was normally operated. Please refer to Note VII.1.(2) for the reasons for inclusion in the merger.

(4) Chengdu Helihui Household Products Co., Ltd. (hereinafter referred to as "Helihui Co.") and Chengdu Beixin Clothing Co., Ltd. (hereinafter referred to as "Beixin Co.") did not carry out the actual business. In 2016, after the approval of the board of directors, Hi-Tech Development Co. canceled Helihui Co. and Beixin Co. in accordance with the legal procedures. As of December 31, 2017, Helihui Co. and Beixin Co. have completed the cancellation.

5. Others

(1) In 2015, with its own money RMB 30 million, Brilliant Futures Co., Ltd, a subsidiary of Hi-Tech Development Co., set up Sichuan Brilliant Asset Management Co., Ltd., a wholly-owned company which engaged in asset management business. As of balance sheet date, all the capital had been in place.

(2) On October 16, 2015. Hi-Tech Development Co. transferred its hold 100% stake in Chengdu Beite Cabinet Manufacturing Co., Ltd., 65% stake in Chengdu Beite Construction Installation Engineering Co., Ltd. and 67.24% stake in Sichuan Ya'an Beite Xingyue Hotel Co., Ltd. to its wholly-owned subsidiary Chengdu Beite Construction Development Co., Ltd. at assessed price on June 30, 2015.

VII. Equity in Other Parties

1. Equity in subsidiary

(1) Organization structure of the group

(RMB'0,000)								
No.	Name of subsidiaries	Registered address	Business nature	Registered capital	Shareholding ratio (%)	Voting ratio (%)	investment amount	Acquisition method
1	Chengdu Hi-tech District Tuoxin Industry Investment Co.,	Chengdu	Project investment, assets management and consulting.	236,290.00	100.00	100.00	241,127.50	Others

No.	Name of subsidiaries	Registered address	Business nature	Registered capital	Shareholding ratio (%)	Voting ratio (%)	investment amount	Acquisition method
	Ltd.		contract guarantee etc.					
2	Chengdu Hi-Tech Investment Asset Management Co., Ltd.	Chengdu	Project investment and management, assets management etc.	108,000.00	100.00	100.00	108,000.00	Set up
3	Chengdu Hi-Tech Investment Real Estate Co., Ltd.	Chengdu	Real estate development, management, sale etc.	75,000.00	100.00	100.00	75,000.00	Set up
4	Chengdu Hi-tech Investment Financial Guarantee Co., Ltd.	Chengdu	Financial guarantee and consulting etc.	60,000.00	100.00	100.00	55,000.00	Set up
5	Chengdu Hi-Tech Investment Construction and Development Co., Ltd.	Chengdu	Infrastructure construction, real estate comprehensive development etc.	20,000.00	100.00	100.00	20,000.00	Set up
6	Chengdu Hi-Tech Investment Venture Capital Co., Ltd	Chengdu	Venture capital, management services and consulting etc.	20,000.00	100.00	100.00	15,700.00	Set up
7	Chengdu Hi-Tech Investment Winpower Investment and Development Co.,	Chengdu	Investment and assets management, investment consulting etc.	10,000.00	100.00	100.00	10,000.00	Set up

No.	Name of subsidiaries	Registered address	Business nature	Registered capital	Shareholding ratio (%)	Voting ratio (%)	investment amount	Acquisition method
	Ltd							
8	Chengdu Tianfu Software Park Co., Ltd.	Chengdu	Park management and consulting service etc.	2,000.00	100.00	100.00	2,000.00	Set up
9	Chengdu Hi-Tech Investment International Trade Co., Ltd	Chengdu	Inport and export trading, domestic trade etc.	2,000.00	100.00	100.00	1,000.00	Set up
10	Chengdu Hi-Tech Investment Sports Management Co., Ltd.	Chengdu	Sports management, landscaping, advertising, etc.	300.00	100.00	100.00	300.00	Set up
11	Chengdu Chengxin Semiconductor Manufacturing Co. Ltd.	Chengdu	Semiconductor chip manufacturing, marketing, etc.	225,000.00	60.00	60.00	135,000.00	Set up
12	Chengdu Hi-tech Investment Technology Microfinance Co., Ltd.	Chengdu	Provide loans and related consulting services etc.	30,000.00	51.00	51.00	15,300.00	Set up
13	Chengdu Hi-Tech Development Co., Ltd.	Chengdu	Real estate development and management, futures brokerage and construction etc.	31,148.00	45.40	45.40	66,461.26	Others
14	Chengdu Gexin	Chengdu	House lease etc.	180,000.00	80.00	80.00	100,000.00	Set up

No.	Name of subsidiaries	Registered address	Business nature	Registered capital	Shareholding ratio (%)	Voting ratio (%)	investment amount	Acquisition method
	Engineering Project Management Co. Ltd.							
15	Chengdu Hi-Tech Investment Biological Medicine Park Management Co., Ltd.	Chengdu	Park management etc.	100.00	100.00	100.00	500.00	Set up
16	Chengdu Yingkai Investment Co., Ltd.	Chengdu	Investment management etc.	39,800.00	0.50	100.00	200.00	Set up

Note: All above are disclosed to the primary subsidiary.

(2) Reason why the Parent Company Has Control Rights over the Investee with Voting Right of the Investee Less than Half

(RMB'0,000)

No.	Name of enterprise	Shareholding ratio (%)	Voting ratio (%)	Registered capital	Investment amount	Level	Reason for being included into consolidated scope
1	Hi-Tech Development Co.	45.40	45.40	31,148.00	66,461.26	Primary	Actual control
2	Yingkai Co.	0.50	100.00	39,800.00	200.00	Primary	Note

Note: The Group totally held the shareholding proportion of Yingkai Co. was only 0.5%, but it had substantial operational control, the other shareholders have fixed returns according to their investment, and does not bear the risk of investment, the group shall bear the guarantee liability for the other shareholders' investment losses. In accordance with the relevant provisions of the accounting standard for business enterprises, the Group should incorporate Yingkai Co. into the consolidated scope, and accounted other shareholder investment as liabilities in the "other non-current liabilities" subjects in the level of the merger.

(3) Equity in financial subsidiary

No.	Name of enterprise	Level	Business nature	Shareholding ratio (%)
1	CDHTI Guarantee Co.	2	state-owned enterprise	100.00
2	CDHTI Microfinance Co.	2	state-owned enterprise	51.00

(4) When accounting policies adopted by subsidiaries are inconsistent with those adopted by the parent company, the method by which the parent company prepares consolidated financial statements.

The policy of bad debt provision for receivables of Hi-Tech Development Co. was not consistent with that of the Company, but it had little influence on the consolidated financial statement, so no adjustment had been made. The policy of bad debt provision for receivables had been described in Note III.11.

(5) Significant non-wholly-owned subsidiary

(RMB'0,000)

Name of subsidy	Shareholding proportion of minority shareholder	The profits and losses arbitrated to the minority shareholders	Dividends paid to minority shareholders in the current period	Accumulated minority equity at the end of the period
Hi-Tech Development Co.	54.60%	1,804.16		43,702.13
CDHTI Microfinance Co.	49.00%	80.89	142.89	15,748.75
Gexin Co.	20.00%	0.10		25,000.10

Main financial information:

(RMB'0,000)

Item	Hi-Tech Development Co.		
	End of 2017/2017	End of 2016/2016	End of 2015/2015
Current assets	258,293.88	275,101.78	333,424.14
Non-current assets	40,327.19	73,258.75	63,682.35
Total assets	298,621.08	348,360.54	397,106.49
Current liabilities	208,635.70	263,231.22	314,797.20
Non-current liabilities	12,035.22	12,999.01	13,656.93
Total liabilities	220,670.92	276,230.23	328,454.13
Operating revenues	57,260.86	111,376.33	177,075.83

Net profits	2,911.79	3,369.84	4,919.34
Total comprehensive income	2,349.79	3,477.94	4,915.97
Cash flow related to operating activities	11,298.90	6,401.16	-10,051.24

Continued:

Item	CDHTI Microfinance Co.		
	End of 2017/2017	End of 2016/2016	End of 2015/2015
Current assets	14,293.80	12,147.24	4,779.18
Non-current assets	22,213.93	20,611.15	30,983.75
Total assets	36,507.73	32,758.40	35,762.93
Current liabilities	4,367.42	491.55	360.43
Non-current liabilities			2,000.00
Total liabilities	4,367.42	491.55	2,360.43
Operating revenues	1,303.26	2,231.57	5,880.56
Net profits	165.09	364.52	1,875.22
Total comprehensive income	165.09	364.52	1,875.22
Cash flow related to operating activities	2,430.78	10,933.50	5,880.19

Continued:

Item	Gexin Co.		
	End of 2017/2017	End of 2016/2016	End of 2015/2015
Current assets	53,371.72		
Non-current assets	180,812.91		
Total assets	234,184.63		
Current liabilities	109,184.15		
Non-current liabilities			
Total liabilities	109,184.15		
Operating revenues			
Net profits	0.48		
Total comprehensive income	0.48		
Cash flow related to operating activities	-169,338.95		

2. Changed the owner's equity share in subsidiary and still controlled the subsidiary

(1) On April 28, 2015, the Company increased its shareholding ratio from 22.45% to 45.36% by issuing RMB 92 million shares to Hi-Tech Development Co. at RMB 5.41 yuan per share. On

October 12, 2015, other non-circulating shareholders delivered 0.04% of the shares of Hi-Tech Development Co. to the Company in accordance with the reform of the shareholder structure. The shareholding ratio of the Company increased to 45.40%.

(2) Please refer to note VI.2 for the detail of CDHTI Real Estate Co. purchasing 100.00% of Mianyang Brilliant Co. and CDHTI asset management co. purchasing 100.00% of Century Property Co.

(3) In 2015, Hi-Tech Development Co. signed an equity transfer agreement with a minority shareholder of Chengdu Beite Construction Development Co., Ltd., which was a subsidiary of Hi-Tech Development Co. Sichuan Commercial Group Co., Ltd. and The Development Branch of Chengdu Beite Development Group Co., Ltd. Labor Union Working Committee transferred their 2.5% stake in Chengdu Beite Construction Development Co., Ltd. to Hi-Tech Development Co. for RMB 5,541,765.00 yuan.

3. Equity in significant joint venture arrangement or associated enterprise

(1) Significant joint venture or associated enterprise

Joint venture or associated enterprise	Place of operation and registration	Nature	Shareholding ratio (%)	The accounting treatment of investment in associates
1. Joint venture				
Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd	Chengdu	Construction of urban infrastructure and supporting projects	50.00	Equity method
Chengdu Gaoxin Industrial Investment Co., Ltd	Chengdu	Investment business	60.00	
2. Associated enterprise				
Chengdu Financial City Investment & Development Co., Ltd	Chengdu	Real estate development and sales	27.48	Equity method
Haiguang Information Technology Co., Ltd	Tianjing	Industrial investment, scientific research and technical services	22.77	Equity method
Chengdu Coe Technology Co., Ltd	Chengdu	Design, manufacture and sell flat panel display glass and solar cell	30.00	Equity method

Joint venture or associated enterprise	Place of operation and registration	Nature	Shareholding ratio (%)	The accounting treatment of investment in associates
Sichuan CCO Display Technology Co., Ltd	Chengdu	R&d, manufacturing, sales and technical service of display and electronic products	39.74	Equity method
Chengdu Bonded Logistics Investment Co., Ltd.	Chengdu	Industrial facilities development, goods production, storage and logistics	45.71	Equity method
Chengdu Hi-Tech Jinhong Technology Petty Loan Co., Ltd	Chengdu	Petty loan	12.50	Equity method
Chengdu Luwei Photoelectric Co., Ltd	Chengdu	Production and development of electronic products	29.40	Equity method
Chengdu Yingchuang Power Venture Investment Co., Ltd	Chengdu	Investment business	19.80	Equity method
Chengdu Yingchuang Xingke Venture Investment Partnership (Limited Partnership)	Chengdu	Investment business	19.00	Equity method
Chengdu Yingchuang dehong Venture Investment Partnership (Limited Partnership)	Chengdu	Investment business	15.00	Equity method
Chengdu Yingchuang taifu Venture Investment Partnership (Limited Partnership)	Chengdu	Investment business	14.70	Equity method
Chengdu Xinxing Incubator Investment Co., Ltd	Chengdu	Management, consulting	40.00	Equity method

Note: The above table shows the information of significant joint venture or associated enterprise at the end of 2017.

(2) Main financial information of significant joint venture or associated enterprise

Investee	2017				
	Total assets at year-end	Total liabilities at year-end	Total net assets at year-end	Operating revenues in current period	Net profit in current period
1. Joint venture	8,557,377,270.20	5,345,568,539.64	3,211,808,730.56	1,776,776,697.17	468,834,089.51
Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd	8,229,620,318.54	5,345,568,539.64	2,884,051,778.90	1,776,776,697.17	514,177,137.85
Chengdu Gaoxin Industrial Investment Co., Ltd	327,756,951.66		327,756,951.66		-45,343,048.34
2. Associated enterprise	16,338,185,443.86	8,713,782,031.36	7,624,403,412.50	484,943,500.97	103,230,331.21
Chengdu Financial City Investment&Development Co., Ltd	10,657,800,050.84	6,862,739,376.37	3,795,061,274.47	267,726,346.23	81,246,568.58
Haiguang Information Technology Co., Ltd	1,893,541,944.00	350,194,171.00	1,543,347,773.00		-46,411,362.00
Chengdu Coe Technology Co., Ltd	2,200,111,241.44	1,334,586,190.24	865,525,051.20	115,193,961.18	3,636,382.98
Sichuan CCO Display Technology Co., Ltd	306,925,989.66	42,119,451.30	264,806,538.36	272,339.80	-2,085,457.87
Chengdu Bonded Logistics Investment Co., Ltd.	234,241,374.56	28,031,631.31	206,209,743.25	37,714,333.41	12,886,915.68
Chengdu Hi-Tech Jinhong Technology Petty Loan Co., Ltd	395,042,310.27	18,423,900.56	376,618,409.71	41,026,520.35	20,312,804.66
Chengdu Luwei Photoelectric Co., Ltd	188,934,220.77	30,449,919.00	158,484,301.77		-1,515,698.23
Chengdu Yingchuang Power Venture Investment Co., Ltd	111,604,955.99	2,141,674.58	109,463,281.41		8,026,173.21
Chengdu Yingchuang Xingke Venture Investment Partnership (Limited Partnership)	109,765,906.48		109,765,906.48	2,360,000.00	11,338,004.89
Chengdu Yingchuang dehong Venture Investment Partnership (Limited Partnership)	98,549,479.77	110,955.90	98,438,523.87	20,650,000.00	235,806.11
Chengdu Yingchuang taifu Venture Investment Partnership (Limited Partnership)	69,449,811.80	935,200.00	68,514,611.80		-1,685,025.06

Investee	2017				
	Total assets at year-end	Total liabilities at year-end	Total net assets at year-end	Operating revenues in current period	Net profit in current period
Chengdu Xinxing Incubator Investment Co., Ltd	72,217,558.28	44,049,561.10	28,167,997.18		17,245,218.26

Continued:

Investee	2016				
	Total assets at year-end	Total liabilities at year-end	Total net assets at year-end	Operating revenues in current period	Net profit in current period
1. Joint venture					
Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd	7,657,959,349.66	5,287,004,805.35	2,370,954,544.31	1,627,961,216.57	466,470,586.15
2. Associated enterprise					
Chengdu Financial City Investment&Development Co., Ltd	9,173,140,543.33	5,456,011,037.44	3,717,129,505.89	294,576,334.79	54,217,418.43
Chengdu Yinke Venture Capital Co., Ltd	1,617,381,363.49	38,166,131.02	1,579,215,232.47	84,474,622.12	63,646,423.65
Haiguang Information Technology Co., Ltd	1,369,022,714.37	446,549.84	1,368,576,164.53	4,023,750.00	-55,895,515.86
Chengdu Coe Technology Co., Ltd	2,051,819,412.17	1,188,227,255.78	863,592,156.39	107,299,676.22	2,887,722.73
Sichuan CCO Display Technology Co., Ltd	311,724,311.50	44,867,225.12	266,857,086.38	99,324.18	-2,883,428.08
Chengdu Bonded Logistics Investment Co., Ltd.	220,687,397.79	27,364,570.22	193,322,827.57	31,912,937.21	9,869,073.37
Chengdu Pante Industrial Co., Ltd.					
Chengdu Hi-Tech Jinhong Technology Petty Loan Co., Ltd	380,727,519.77	8,339,987.00	372,387,532.77	40,985,902.24	25,262,141.26
Chengdu Yingchuang Power Venture Investment Co., Ltd	101,437,108.20		101,437,108.20	6,888,494.89	3,886,284.90
Chengdu Yingchuang Xingke Venture Investment Partnership (Limited Partnership)	98,427,901.59		98,427,901.59		-1,479,236.63

Investee	2016				
	Total assets at year-end	Total liabilities at year-end	Total net assets at year-end	Operating revenues in current period	Net profit in current period
Chengdu Yingchuang dehong Venture Investment Partnership (Limited Partnership)	98,217,755.78	15,038.02	98,202,717.76	2,000,000.00	-1,310,817.76
Chengdu Yingchuang taifu Venture Investment Partnership (Limited Partnership)	39,097,636.66	241,000.00	38,856,636.66		-442,251.74
Chengdu Yingchuang Power Investment Management Co., Ltd	24,996,742.40	1793854.37	23,202,888.03	1470873.78	57,357.86
Chengdu Yingtai Investment Management Co., Ltd	5,006,117.73	-1,469,622.22	6,475,739.95		-236,151.91

VIII. The Disclosure of the Fair Value

1. Closing fair value of assets and liabilities calculated by fair value

Item	Closing fair value			
	Fair value measurement	Fair value measurement	Fair value measurement	Total
	items at level 1	items at level 2	items at level 3	
1. Financial assets measured by fair value and the changes included in the current gains and losses	42,292.86			42,292.86
Trading financial assets	42,292.86			42,292.86
Including: Equity instrument investment	42,292.86			42,292.86
2. Available-for-sale financial assets	41,372,259.22			41,372,259.22
Including: Equity instrument investment	41,372,259.22			41,372,259.22
Total	41,414,552.08			41,414,552.08

2. Market price recognition basis for consistent fair value measurement items at level 1

The equity instruments shall be determined at the closing price of the balance sheet date or at the announced net value of the balance sheet date.

IX. Related Parties and Related-party Transactions

(I) Related parties**1. Parent company information of the enterprise**

The Company is a wholly state-owned limited liability company approved by the Chengdu Hi-Tech Zone Management Committee, and State-Owned Assets Management Bureau of Chengdu Hi-Tech Industrial Development Zone was the direct investor of the Company.

2. Subsidiaries of the company

Please refer to the Note VII.1 for details.

3. Information on the joint ventures and associated enterprises of the company

Please refer to the Note VII.3.(1) for details.

The following is the situation of the joint venture or associated enterprises that had entered into transactions with related parties of the Group in the current period, or formed a balance in the transaction with related parties of the Group in the earlier period:

Name of enterprise	Relationship
Chengdu Yinke Venture Capital Co., Ltd	Associated enterprise
Chengdu Coe Technology Co., Ltd	Associated enterprise
Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd	Joint venture
Chengdu Financial City Investment&Development Co., Ltd	Associated enterprise
Chengdu Hi-Tech Jinhong Technology Petty Loan Co., Ltd	Associated enterprise of CDHTI Guarantee Co.
Sichuan Gongchuang Enterprise Management Service Co., Ltd	Associated enterprise of CDHTI Yingchuang Co.
Sichuan United Credit Management Co., Ltd	Associated enterprise of CDHTI Yingchuang Co.
Chengdu Yingchuang Detai Equity Investment Fund Management Co., Ltd	Associated enterprise of CDHTI Venture Co.
Chengdu Yingchuang Dehong Equity Investment Fund Management Co., Ltd	Associated enterprise of CDHTI Venture Co.
Chengdu Pante Industrial Co., Ltd.	Associated enterprise of Hi-tech Development Co.

4. Other related parties information

Name of enterprise	Relationship
Chengdu Industrial Investment Group Co., Ltd	Parent company of Chengxin Co.
Chengdu Construction Engineering Group General Company	Parent company of Gexin Co.

(II) Related transaction**1. Pricing policy**

Trading unit	Counterparty	Transaction type	pricing principle
Hi-tech Development Co.	Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd	Construction industry	Refer to the market price

CDHTI Construction Co.	Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd	Implementation management	Refer to the market price
The company	Chengdu Yinke Venture Capital Co., Ltd	Rental and property	Refer to the market price
The company	Chengdu Hi-Tech Jinhong Technology Petty Loan Co., Ltd	Rental and property	Refer to the market price
The company	Chengdu Coe Technology Co., Ltd	Rental and property	Refer to the market price
The company	Sichuan Gongchuang Enterprise Management Service Co., Ltd	Rental and property	Refer to the market price
The company	Sichuan United Credit Management Co., Ltd	Rental and property	Refer to the market price
Hi-tech Development Co.	Chengdu Pante Industrial Co., Ltd.	Loan	Interest-free

2. Related transaction

A. Related transactions for sales of goods and provision of labor service

Related-party	Content	2017	2016	2015
Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd	Construction industry	72,914,097.98	92,834,825.55	25,188,551.45
Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd	Implementation management	5,260,734.23	11,551,567.11	4,825,680.00

B. Rental and property

Related-party	2017		2016		2015	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Chengdu Yinke Venture Capital Co., Ltd	866,847.47	0.03	1,086,101.50	0.02	1,046,295.36	0.19
Chengdu Hi-Tech Jinhong Technology Petty Loan Co., Ltd	977,629.26	0.03	953,392.27	0.02	805,560.08	0.15
Chengdu Coe Technology Co., Ltd	1,206,857.14	0.03	620,632.38	0.01	499,200.00	0.09
Sichuan Gongchuang Enterprise Management Service Co., Ltd	71,001.33		209,783.12			
Sichuan United Credit Management Co., Ltd			211,927.10			

C. Loans

Related-party	2017			
	Amount	Starting date	Maturity date	Note
Chengdu Pante Industrial Co., Ltd.	15,836,000.00	October 12, 2010.		Current return
	5,000,000.00	January 1, 2011.		Current return
	8,000,000.00	September 6, 2011.		Current return
	20,000,000.00	May 15, 2012.		Current return
	10,000,000.00	June 26, 2012.		Current return
	18,000,000.00	November 20, 2013.		Current return
Total	76,836,000.00			

Continued:

Related-party	2016			
	Amount	Starting date	Maturity date	Note
Chengdu Pante Industrial Co., Ltd.	15,836,000.00	October 12, 2010.		Unreturned
	5,000,000.00	January 1, 2011.		Unreturned
	8,000,000.00	September 6, 2011.		Unreturned
	20,000,000.00	May 15, 2012.		Unreturned
	10,000,000.00	June 26, 2012.		Unreturned
	18,000,000.00	November 20, 2013.		Unreturned
Total	76,836,000.00			

Continued:

Related-party	2015			
	Amount	Starting date	Maturity date	Note
Chengdu Pante Industrial Co., Ltd.	15,836,000.00	October 12, 2010.		Unreturned
	5,000,000.00	January 1, 2011.		Unreturned
	8,000,000.00	September 6, 2011.		Unreturned
	20,000,000.00	May 15, 2012.		Unreturned
	10,000,000.00	June 26, 2012.		Unreturned
	18,000,000.00	November 20, 2013.		Unreturned
Total	76,836,000.00			

3. Related-party guarantee

Please refer to Note X.2 for details.

4. Receivables and payables of related parties

Item	December 31, 2017.		December 31, 2016.		December 31, 2015.	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Accounts receivable						
Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd	31,055,582.18	2.46	2,798,195.46	0.33	959,173.00	0.10
Chengdu Coe Technology Co., Ltd	1,604,860.00	0.13	998,400.00	0.12	499,200.00	0.05
Chengdu Hi-Tech Jinhong Technology Petty Loan Co., Ltd	11,588.72		11,588.72		12,168.18	
Sichuan Gongchuang Enterprise Management Service Co., Ltd	143,225.28	0.01	63,655.68	0.01		
Sichuan United Credit Management Co., Ltd	131,314.95	0.01	49,394.40	0.01		
Subtotal	32,946,571.13		3,921,234.26		1,470,541.18	0.15
Other accounts receivable						
Chengdu Financial City Investment&Development Co., Ltd	300,000,000.00	7.88	300,000,000.00	10.81	260,000,000.00	9.97
Chengdu Industrial Investment Group Co., Ltd	10,810,868.12	0.28	10,810,868.12	0.39	10,810,868.12	0.41
Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd	13,097,711.37	0.34	17,825,454.97	0.64	4,131,986.05	0.16
Chengdu Bonded Logistics Investment Co., Ltd.	193,296.88	0.01	193,296.88	0.01	193,296.88	0.01
Chengdu Yinke Venture Capital Co., Ltd	131,714.31		120,744.80		214,983.91	0.01
Chengdu Coe Technology Co., Ltd			15,478.63			
Chengdu Construction Engineering Group General Company	6,347,000.00	0.17				
Subtotal	330,580,590.68		328,965,843.40		275,351,134.96	10.56
Dividend receivable						
Chengdu Pante Industrial Co., Ltd.			5,091,717.63	71.8	5,091,717.63	68.93
Subtotal			5,091,717.63		5,091,717.63	68.93
Other accounts payable						
Chengdu Industrial Investment Group Co., Ltd	420,117,307.91	10.72	420,117,307.91	9.17	435,235,449.64	11.20
Chengdu Pante Industrial Co., Ltd.			78,099,625.00	1.7	78,099,625.00	2.01
Chengdu Yinke Venture Capital Co., Ltd	217,968.30	0.01	225,658.30		318,255.28	0.01

Item	December 31, 2017.		December 31, 2016.		December 31, 2015.	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Chengdu Hi-Tech Jinhong Technology Petty Loan Co., Ltd	1,173,043.46	0.03	248,086.53	0.01	181,059.57	
Sichuan Gongchuang Enterprise Management Service Co., Ltd	47,741.76		47,741.76			
Sichuan United Credit Management Co., Ltd	49,394.40		49,394.40			
Chengdu Yingchuang Detai Equity Investment Fund Management Co., Ltd	151,240.32					
Chengdu Yingchuang Dehong Equity Investment Fund Management Co., Ltd	2,400.00					
Chengdu Construction Engineering Group General Company	290,087,903.23	7.40				
Subtotal	711,846,999.38		498,787,813.90		513,834,389.49	13.22
Dividend payable						
Chengdu Industrial Investment Group Co., Ltd	25,653,578.99	43.32	25,653,578.99	85.93	25,653,578.99	85.92
Subtotal	25,653,578.99		25,653,578.99		25,653,578.99	85.92

X. Commitments and Contingency

1. Significant commitments

Up to December 31, 2017, there were no significant commitments to be disclosed.

2. Significant contingency on balance sheet date

(1) Contingency generated from provision of debt guarantee and its financial influence

(RMB0'000)

No.	Guarantee unit	Guarantee object		Guarantee method	Guarantee type	Guarantee amount	Guarantee period
		Name	Nature				
1	The Company	Chengdu Coe Technology Co., Ltd	State-owned Holding	Joint and several liability	Loan guarantee	16,950.00	February 3, 2010. To March 29, 2025.
2	The Company	Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd	Sino-foreign joint	Joint and several liability	Loan guarantee	145,274.45	December 20, 2012. To August 26, 2024.

No.	Guarantee unit	Guarantee object		Guarantee method	Guarantee type	Guarantee amount	Guarantee period
		Name	Nature				
3	CDHTI Construction Co.	Chengdu Cooperative Sewage Treatment Co., Ltd.	State-owned Holding	Joint and several liability	Loan guarantee	2,135.44	July 26, 2007. To July 25, 2022.
4	CDHTI Guarantee Co.	Client	Others	Credit and margin pledge	Loan guarantee	17,377.94	
5	Hi-tech Development Co.	Chengdu Juyou Network Co., Ltd.	Listed company	Joint and several liability	Loan guarantee	7,954.73	
	Total					189,692.56	

Note: Except Chengdu Juyou Network Co., Ltd., the guarantee customer of CDHTI guarantee co., all the other guaranteed parties operate normally without any overdue or lawsuit. The joint and several liability guarantee provided by Hi-Tech Development Co. for Chengdu Juyou Network Co., Ltd. has been included in the estimated liabilities of RMB 79.55 million.

(2) Pending action, contingency formed by arbitration and its financial influence

A. For Chengdu Juyou Network Co., Ltd. guarantees matters involved in litigation, Hi-Tech Development Co. has accumulated an estimated amount of RMB 79.55 million in guarantee losses according to the progress of the lawsuit matters.

B. Sichuan United Credit Management Co., Ltd. entered the liquidation and cancellation procedures, and the company was insolvent. as a shareholder, CDHTI Winpower Co. shall bear legal liabilities within the difference between the paid-in capital and the registered capital. The related liabilities were estimated, to be RMB 93,500 yuan in 2017 according to the liquidation results of the invested entity.

C. Hi-Tech Development Co. was sued by the relevant party for providing a guarantee for Chengdu Juqiang Industrial Development Co., Ltd. As of the end of 2017, the lawsuit was still underway.

D. Hi-Tech Development Co. filed a lawsuit against the relevant party over the dispute of land transfer payments receivable from Sichuan Tiankun Housing Development Co., Ltd, as of the balance sheet date, the case is still in progress; Due to the dispute over land transfer payments receivable from Sichuan Dadi Resource Development Co., Ltd., a lawsuit has been filed with relevant parties. As of the balance sheet date, the case was being implemented.

E. At the end of 2017, CDHTI Guarantee Co. had RMB 122.70 million of loans involved in litigation.

F. Chengdu Promising-Chip Electronic Co., Ltd, the investee of CDHTI Venture Co., had been largely stagnant due to the large inventory backlog and the slowing down of customers' payment collection. CDHTI Venture Co. claimed to buy back its shares to shareholders in accordance with the investment agreement. In June 2016, the Court of Chengdu High-Tech Zone ordered the shareholders of Ruixin Co. to pay the capital contribution and interest. The defendant shareholders appealed against the first instance decision to Chengdu Intermediate People's Court. In November 2016, Chengdu Intermediate People's Court made a final judgment, upheld the original judgment and rejected the appeal. At present, CDHTI Venture Co. has applied to the court for compulsory execution. According to the prudence principle, we had made provision for impairment by RMB 2.25 million.

G. As of December 31, 2017, the pending litigations of the group against the lessee and the property client due to the disputes of lease contract and property service contract were as follows:

(RMB 0'000)

Plaintiff	Type of lawsuit	Quantity	Amount	Progress
The Company	Lease contract dispute	2	17.92	In the first instance
The Company	Lease contract dispute	2	62.40	First instance decided
The Company	Lease contract dispute	10	1,371.31	In execution
CDHTI Construction Co.	Lease contract dispute	4	64.57	In the first instance
CDHTI Construction Co.	Lease contract dispute	1	10.65	First instance decided
CDHTI Construction Co.	Lease contract dispute	6	188.64	In execution
CDHTI Real Estate Co.	Lease contract dispute	5	162.50	In the first instance
CDHTI Real Estate Co.	Lease contract dispute	9	1,223.35	First instance decided
CDHTI Real Estate Co.	Lease contract dispute	2	90.48	In the second instance
CDHTI Real Estate Co.	Lease contract dispute	11	1,361.02	In execution
CDHTI Property Co.	Property services contract dispute	4	33.74	In the first instance
CDHTI Property Co.	Property services contract dispute	5	10.00	First instance decided
CDHTI Property Co.	Property services contract dispute	2	218.42	In execution
Century Property Co.	Property services contract dispute	1	1.69	First instance decided
Total		64.00	4,816.69	

3. Except for the above commitments and contingencies, there was no significant commitments and contingency of the Group to disclose up to December 31, 2017.

Continued:

Item	December 31, 2016.		
	Book balance	Bad debt provision	Withdrawal proportion (%)
Balance percentage method	27,781,841.50	1,389,092.08	5.00
Total	27,781,841.50	1,389,092.08	

B. Accounts receivable with the insignificant single amount for which bad debt provision separately accrued were small rent receivable of the government department.

(2) Top 5 of the closing balance of accounts receivable collected according to the arrears party

Company name	December 31, 2017.			
	Book balance	Aging	Proportion (%)	Bad debt provision
Bureau of Finance and Financial Services of Chengdu Hi-tech Industrial Development Zone	431,657,965.35	With 1 year	90.86	
Hongfujin Precision Electronics (Chengdu) Co., Ltd	11,494,418.20	With 1 year	2.42	574,720.91
Chengdu Hekang Investment Management Co., Ltd.	9,000,000.00	Over 1 year	1.89	450,000.00
Yecheng Technology (Chengdu) Co., Ltd.	3,299,845.57	Within 1 year	0.69	164,992.28
Chengdu BOE Photoelectric Technology Co., Ltd.	1,769,358.00	Within 1 year	0.37	88,467.90
Total	457,221,587.12		96.24	1,278,181.09

2. Other Accounts Receivable

(1) Other accounts classified by category

Category	December 31, 2017.				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	8,108,896,752.04	94.02	714,105,613.50	8.30	7,394,791,138.54
Other accounts receivable withdrawal of	514,173,096.52	5.96	25,708,654.89	5.00	488,464,441.63

Category	December 31, 2017.				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
bad debt provision by credit risks characteristics					
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	1,448,685.94	0.02	38.00	0.00	1,448,647.94
Total	8,624,518,534.50	100.00	739,814,306.39		7,884,704,228.11

Continued:

Category	December 31, 2016.				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	6,436,398,876.67	99.69	714,105,613.50	11.09	5,722,293,263.17
Other accounts receivable withdrawal of bad debt provision by credit risks characteristics	17,012,299.46	0.26	850,615.03	5.00	16,161,684.43
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	3,265,667.99	0.05	38.00		3,265,629.99
Total	6,456,676,844.12	100.00	714,956,266.53		5,741,720,577.59

A. Other accounts receivable with significant single amount for which bad debt provision separately accrued

Company name	December 31, 2017.			Withdrawal reason
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)	

Company name	December 31, 2017.			Withdrawal reason
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)	
CDHTI Real Estate Co.	2,900,722,092.98			Related party
CDHTI Construction Co.	1,456,813,626.19			Related party
CDHTI Asset Management Co.	1,440,612,126.39			Related party
CDHTI Long Island Co.	713,216,866.71			Related party
Chengxin Co.	711,093,500.50	711,093,500.50	100.00	Expected irrecoverable
Bureau of Finance and Financial Services Of Chengdu Hi-Tech Industrial Development Zone	325,283,082.05			Government department
Chengdu Financial City Investment&Development Co., Ltd	300,000,000.00			Related party
CDHTI Venture Co.	100,822,553.25			Related party
CDHTI International Trading Co.	67,762,800.57			Related party
Century Property Co.	51,590,110.14			Related party
Chengdu Hi-Tech Zone Housing Security Center	35,371,479.93			Government department
Chengdu Ingel Company	3,012,113.00	3,012,113.00	100.00	Unable to payback
Chengdu Hi-Tech Industrial Development Zone Planning Land Construction Bureau	1,325,497.56			Government department
Chengdu Hi-Tech Zone Management Committee	1,270,902.77			Government department
Total	8,108,896,752.04	714,105,613.50		

Continued:

Company name	December 31, 2017.			Withdrawal reason
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)	
CDHTI Real Estate Co.	1,840,796,171.33			Related party
CDHTI Asset Management Co.	1,314,274,365.82			Related party
CDHTI Construction Co.	1,265,188,966.42			Related party

Company name	December 31, 2017.			Withdrawal reason
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)	
Chengxin Co.	711,093,500.50	711,093,500.50	100.00	Expected irrecoverable
CDHTI Long Island Co.	630,600,000.00			Related party
Chengdu Financial City Investment&Development Co., Ltd	300,000,000.00			additional share of related party
Bureau of Finance and Financial Services Of Chengdu Hi-Tech Industrial Development Zone	153,431,037.60			Government department
CDHTI Winpower Co.	82,799,926.81			Related party
CDHTI International Trading Co.	53,429,998.00			Related party
Chengdu Hi-Tech Zone Housing Security Center	35,371,479.93			Government department
CDHTI Property Co.	26,949,000.00			Related party
Century Property Co.	16,065,981.68			Related party
Tuoxin Co.	3,386,335.58			Clearing proceeds
Chengdu Ingel Company	3,012,113.00	3,012,113.00	100.00	Unable to payback
Total	6,436,398,876.67	714,105,613.50		

B. Among these groups, other accounts receivable adopting balance percentage method to withdraw bad debt provision

Item	December 31, 2017.		
	Other account receivable	Bad debt provision	Withdrawal proportion (%)
Balance percentage method	514,173,096.52	25,708,654.89	5.00
Total	514,173,096.52	25,708,654.89	5.00

Continued:

Item	December 31, 2016.		
	Other account receivable	Bad debt provision	Withdrawal proportion (%)

Item	December 31, 2016.		
	Other account receivable	Bad debt provision	Withdrawal proportion (%)
Balance percentage method	17,012,299.46	850,615.03	5.00
Total	17,012,299.46	850,615.03	5.00

C. Other accounts receivable with the insignificant single amount for which bad debt provision separately accrued were In lieu of utility bills receivable and other operating intercourse payments receivable of the government departments and related parties.

(2) Top 5 of the closing balance of other accounts receivable collected according to the arrears party

Company name	December 31, 2017.				
	Nature	Book balance	Aging	Proportion (%)	Bad debt provision
CDHTI Real Estate Co.	Intercourse payment	2,900,722,092.98	Within 1 year	33.63	
CDHTI Construction Co.	Intercourse payment	1,456,813,626.19	Within 1 year	16.89	
CDHTI Asset Management Co.	Intercourse payment	1,440,612,126.39	Within 1 year	16.70	
CDHTI Long Island Co.	Intercourse payment	713,216,866.71	Within 1 year	8.27	
Chengxin Co.	Intercourse payment	711,093,500.50	Within 1 year	8.25	711,093,500.50
Total		7,222,458,212.77		83.74	711,093,500.50

3. Long-term Equity Investment

(1) Long-term equity investment

Item	December 31, 2017.			
	Opening balance	Increase	Decrease	Closing balance
Subsidiaries	4,886,612,640.00	1,004,000,000.00	102,300.00	5,890,510,340.00
Joint ventures	1,185,840,709.58	453,425,464.07		1,639,266,173.65
Associated enterprises	2,412,730,292.28	110,308,566.35	496,878,620.18	2,026,160,238.45
Subtotal	8,485,183,641.86	1,567,734,030.42	496,980,920.18	9,555,936,752.10
Less: Depreciation reserve	1,350,000,000.00			1,350,000,000.00

Item	December 31, 2017.			
	Opening balance	Increase	Decrease	Closing balance
Total	7,135,183,641.86	1,567,734,030.42	496,980,920.18	8,205,936,752.10

(2) Investment in subsidiaries

Investee	December 31, 2017.			
	Investment cost	Opening balance	Increase/Decrease	Closing balance
CDHTI Asset Management Co.	1,080,000,000.00	1,080,000,000.00		1,080,000,000.00
CDHTI Real Estate Co.	750,000,000.00	750,000,000.00		750,000,000.00
CDHTI Guarantee Co.	550,000,000.00	550,000,000.00		550,000,000.00
CDHTI Construction Co.	200,000,000.00	200,000,000.00		200,000,000.00
CDHTI Venture Co.	157,000,000.00	157,000,000.00		157,000,000.00
CDHTI Winpower Co.	100,000,000.00	100,000,000.00		100,000,000.00
Tianfu Software Park Co.	20,000,000.00	20,000,000.00		20,000,000.00
CDHTI International Trade Co.	10,000,000.00	10,000,000.00		10,000,000.00
CDHTI Sports Co.	3,000,000.00	3,000,000.00		3,000,000.00
Hi-tech Development Co.	664,612,640.00	664,612,640.00		664,612,640.00
Biological Medicine Park Co.	5,000,000.00	1,000,000.00	4,000,000.00	5,000,000.00
Yingkai Co.	897,700.00	1,000,000.00	-102,300.00	897,700.00
Chengxin Co.	1,350,000,000.00	1,350,000,000.00		1,350,000,000.00
Gexin Co.	1,000,000,000.00		1,000,000,000.00	1,000,000,000.00
Total	5,890,510,340.00	4,886,612,640.00	1,003,897,700.00	5,890,510,340.00

Continued:

Investee	December 31, 2017.			
	Percentage of shareholding (%)	Accumulated impairment provision	Provision for impairment in current period	Cash bonus or profits announced to issue
CDHTI Asset Management Co.	100.00			
CDHTI Real Estate Co.	100.00			
CDHTI Guarantee Co.	100.00			
CDHTI Construction Co.	100.00			
CDHTI Venture Co.	100.00			

Investee	December 31, 2017.			
	Percentage of shareholding (%)	Accumulated impairment provision	Provision for impairment in current period	Cash bonus or profits announced to issue
CDHTI Winpower Co.	100.00			
Tianfu Software Park Co.	100.00			
CDHTI International Trade Co.	100.00			
CDHTI Sports Co.	100.00			
Hi-tech Development Co.	45.40			
Biological Medicine Park Co.	100.00			
Yingkai Co.	0.25			12,026.86
Chengxin Co.	60.00	1,350,000,000.00		
Gexin Co.	80.00			
Total		1,350,000,000.00		12,026.86

(3) Investment in joint venture or associated enterprises

Investee	December 31, 2017.			
	Opening balance	Closing balance	Depreciation reserve	Percentage of shareholding (%)
1. Investment in joint venture				
Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd	1,185,477,272.17	1,442,025,889.45		50.00
Chengdu Hi-Tech Zhigu Human Resources Industrial Park Management Co., Ltd	363,437.41	586,113.20		50.00
Chengdu Gaoxin Industrial Investment Co., Ltd		196,654,171.00		60.00
2. Investment in associated enterprises				
Chengdu Bonded Logistics Investment Co., Ltd.	88,376,149.75	94,258,473.64		45.71
Chengdu Xinxing Incubator Investment Co., Ltd	2,730,694.73	7,041,999.30		25.00
Chengdu Yinke Venture Capital Co., Ltd	473,764,569.75			
Chengdu Coe Technology Co., Ltd	259,077,646.91	259,657,515.36		30.00
Chengdu Financial City Investment&Development Co., Ltd	1,085,685,438.81	1,107,101,095.86		27.48
Chengdu Yingtai Investment Management Co., Ltd	1,243,934.98	1,214,625.76		25.00

Investee	December 31, 2017.			
	Opening balance	Closing balance	Depreciation reserve	Percentage of shareholding (%)
Sichuan CCO Display Technology Co., Ltd	106,049,006.12	105,234,118.34		39.74
Sichuan Innovation Development Investment Management Co., Ltd	1,388,450.56	3,204,702.76		20.00
Sichuan Hongxin Equity Investment Fund Management Co., Ltd	2,559,901.71	7,628,303.81		20.00
Haiguang Information Technology Co., Ltd	391,854,498.96	394,225,018.90		22.77
Chengdu Luwei Photoelectric Co., Ltd		46,594,384.72		29.40
Total	3,598,571,001.86	3,665,426,412.10		

Continued:

Investee	December 31, 2017.				
	Additional investment	Withdraw investment	Gains and losses recognised under equity method	Change in other equity	Cash bonus or profits announced to issue
1. Investment in joint venture					
Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd			256,548,617.28		
Chengdu Hi-Tech Zhigu Human Resources Industrial Park Management Co., Ltd			222,675.79		
Chengdu Gaoxin Industrial Investment Co., Ltd	223,860,000.00		-27,205,829.00		
2. Investment in associated enterprises					
Chengdu Bonded Logistics Investment Co., Ltd.			5,882,323.89		
Chengdu Xinxing Incubator Investment Co., Ltd			4,311,304.57		
Chengdu Yinke Venture Capital Co., Ltd		494,640,590.94	20,876,021.19		

Investee	December 31, 2017.				
	Additional investment	Withdraw investment	Gains and losses recognised under equity method	Change in other equity	Cash bonus or profits announced to issue
Chengdu Coe Technology Co., Ltd			579,868.45		
Chengdu Financial City Investment&Development Co., Ltd			22,326,557.05	910,900.00	
Chengdu Yingtai Investment Management Co., Ltd			-29,309.22		
Sichuan CCO Display Technology Co., Ltd			-831,366.58		16,478.80
Sichuan Innovation Development Investment Managemet Co., Ltd	1,000,000.00		1,164,252.20	348,000.00	
Sichuan Hongxin Equity Investment Fund Management Co., Ltd	800,000.00		5,247,531.34	979,129.24	
Haiguang Information Technology Co., Ltd			2,370,519.94		
Chengdu Luwei Photoelectric Co., Ltd	47,040,000.00		-445,615.28		
Total	272,700,000.00	494,640,590.94	291,017,551.62	2,238,029.24	16,478.80

(4) Refer to note "VII.3.(2)" for financial condition of joint venture and associated enterprises.

4. Revenues and Operating Costs

Item	2017		2016		2015	
	Revenue	Cost	Revenue	Cost	Revenue	Cost
I. Main Business						
1. Park	1,604,702,828.33	1,384,031,270.31	1,546,677,247.43	888,905,211.45	1,051,707,902.61	609,090,893.91
a. Park sales	1,458,721,871.76	1,170,056,367.83	1,407,979,746.44	683,834,471.96	897,107,990.00	414,562,054.13
b. Park lease	144,165,243.42	213,960,492.05	137,133,970.82	205,049,493.58	142,292,967.85	194,524,839.78
c. Other park supporting services	1,815,713.15		1,563,530.17	21,245.91	12,306,944.76	4,000.00
Including: Funds for construction work	8,552.52		97,477.37	21,245.91	10,812,645.76	4,000.00

Item	2017		2016		2015	
	Revenue	Cost	Revenue	Cost	Revenue	Cost
Parking fee	1,807,160.63		1,466,052.80		1,494,299.00	
2.Commercial real estate	6,622,463.36	2,327,168.97	5,836,088.39	3,499,384.15	5,006,258.96	2,211,381.20
Total main business	1,611,325,291.69	1,386,344,028.84	1,552,513,335.82	892,404,595.60	1,056,714,161.57	611,302,275.11
II. Other business						
Interest of loan	25,895,191.34		713,741.84		10,490,282.45	
Others	362,111.21		-3,025,311.17		442,940.89	11,094.00
Total other business	26,257,302.55		-2,311,569.33		10,933,223.34	11,094.00
Total	1,637,582,594.24	1,386,344,028.84	1,550,201,766.49	892,404,595.60	1,067,647,384.91	611,313,369.11

5. Investment Income

item	2017	2016	2015
Investment income received from disposal available-for-sale financial assets	6,892,586.50	591,951,946.19	109,950,133.42
Long-term equity investment income accounted by equity method	291,017,551.62	253,688,511.18	-61,747,396.06
Long-term equity investment income accounted by cost method	14,848.90	3,247.98	
Investment income received from disposal long-term equity investment (note)	-0.04	-498,694.02	57,112,638.56
Gain from holding of financial assets measured by fair value and the changes be included in the current profits and losses		196,456.35	
Investment income received from disposal of financial assets measured by fair value and the changes be included in the current profits and losses	12,150,401.01		12,514,496.20
Gain from holding of available-for-sale financial assets	2,489,950.88	3,751,169.98	3,293,408.45
Total	312,565,338.87	849,092,637.66	121,123,280.57

Note: In 2015, Tuoxin Co. was liquidated, and the Company confirmed the investment income of RMB 57,112,638.56 yuan.

6. Supplementary information to cash flow statement

Item	2017	2016	2015
1. Reconciliation of net profit to net cash flows			

Item	2017	2016	2015
generated from operating activities			
Net profit	203,730,293.57	1,012,189,831.66	38,604,337.09
Add: Provision for impairment of assets	25,487,898.42	11,521,011.38	11,622,457.16
Depreciation of fixed assets, of oil-gas assets, of productive biological assets	151,766,967.50	148,910,517.31	165,981,610.68
Amortization of intangible assets	823,160.20	579,479.27	508,229.70
Long-term unamortized expenses	689,905.38	574,921.17	
Losses on disposal of fixed assets, intangible assets and other long-term assets			
Losses on abandonment of fixed assets			
Losses from variation of fair value	-33,384,689.58	2,161,019.85	-17,647,000.94
Financial cost	168,536,015.33	280,391,868.71	358,544,301.16
Investment loss	-312,565,338.87	-849,092,637.66	-109,430,790.85
Decrease in deferred income tax assets	58,795,972.67	-58,795,972.67	
Increase on deferred income tax liabilities			
Decrease in inventory	557,070,893.47	250,179,080.10	2,384,542,139.12
Decrease in accounts receivable from operating activities	-442,322,325.14	-97,500,311.96	-1,495,685,437.01
Increase in payables from operating activities	24,982,601.91	685,659,757.71	-335,239,948.71
Others			
Net cash flows generated from operating activities	403,611,354.86	1,386,778,564.87	1,001,799,897.40
2. Investing and financing activities that do not involving cash receipts and payment			
Debt transferred as capital			
Convertible corporate bond due within one year			
Fixed assets from financing lease			
3. Net increase in cash and cash equivalents			
Closing balance of cash	3,037,225,107.92	2,865,134,228.79	1,502,710,040.17
Less: opening balance of cash ^h	2,865,134,228.79	1,502,710,040.17	587,733,413.09
Add: closing balance of cash equivalents			

Item	2017	2016	2015
Less: opening balance of cash equivalents			
Net increase in cash and cash equivalents	172,090,879.13	1,361,424,188.62	914,976,627.08

Chengdu Hi-Tech Investment Group Co., Ltd.

Legal representative:

Financial officer:

Date: June 30, 2018.

ISSUER

Chengdu Hi-tech Investment Group Co., Ltd.

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