YINCHUAN TONGLIAN CAPITAL INVESTMENT OPERATION CO., LTD.

(銀川通聯資本投資運營有限公司)

(incorporated with limited liability in the PRC)

U.S.$300,000,000 3.50 per cent. Bonds due 2020 Issue Price of the Bonds: 99.471 per cent.

On 18 July 2017, Yinchuan Tonglian Capital Investment Operation Co., Ltd. (the "**Issuer**" or the "**Company**") published the offering circular attached hereto as Annex A (the "**Offering Circular**") in connection with the issue of the U.S.$300,000,000 3.50 per cent. Bonds due 2020 (the "**Bonds**").

On 25 July 2017, The Stock Exchange of Hong Kong Limited (the "**HKSE**") approved (conditional upon the delivery of certain documents) the listing on the HKSE of the Programme (effective on 28 July 2017) under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the 12-month period from the date of the Offering Circular.

Application has been made: (i) to the Dubai Financial Services Authority (the "**DFSA**") for Bonds to be admitted to the official list of securities maintained by the DFSA; and (ii) to NASDAQ Dubai for the Bonds to be admitted to trading on NASDAQ Dubai. The Offering Circular has been submitted pursuant to Rules 2.7.1 and approved by the DFSA under Rule 2.6 of the Markets Rules (MKT) module (version 10/08-17) of the DFSA (the "**Markets Rules**") and constitutes an "Approved Prospectus" for the purposes of Article 14 of the Markets Law (DIFC Law No.1 of 2012) (the "**Markets Law**"). Information required to be contained in such Approved Prospectuses pursuant to the DFSA's Markets Rule 2.5 but not included in the Offering Circular is set out in Annex B.

The Offering Circular, as supplemented by Annex B (together, the "**Offering Document**"), complies with the requirements in Part 2 of the Markets Law and Chapter 2 of the Markets Rules.

The Offering Document relates to an Exempt Offer in accordance with the Markets Rules. The Offering Document is intended for distribution only to persons of a type specified in the Markets Rules. It must not be delivered to, or relied on by, any other person. The DFSA does not accept any responsibility for the content of the information included in the Offering Document, including the accuracy or completeness of such information. The liability for the content of the Offering Document lies with the Company. The DFSA has also not assessed the suitability of the Bonds to which the Offering Document relates to any particular investor or type of investor. If you do not understand the contents of the Offering Document or are unsure whether the Bonds to which the Offering Document relate are suitable for your individual investment objectives and circumstances, you should consult an authorised financial adviser.

The Company accepts responsibility for the information contained in the Offering Circular. To the best of the knowledge of the Company, having taken all reasonable care to ensure that such is the case, the information contained in the Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the fullest extent permitted by law, none of the Company, the Sole Global Coordinator, the Joint Lead Managers and Joint Book Runners or Agents (each as defined in the Terms and Conditions set out in the Offering Circular) accept any responsibility for the contents of this Offering Document or for any other statement, made or purported to be made by the Sole Global Coordinator, the Joint Lead Managers and Joint Book Runners or Agents or on its behalf in connection with the Company or the issue and offering of the Bonds. The Sole Global Coordinator, the Joint Lead Managers and Joint Book Runners and the Agents each accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Document or any such statement. Neither this Offering Document nor any financial statements of the Company or the Group (as defined in the Offering Circular) are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Sole Global Coordinator, the Joint Lead Managers and Joint Book Runners or Agents that any recipient of this Offering Document or

any financial statements of the Company or the Group should purchase the Bonds. Each potential investor of Bonds should determine for itself the relevance of the information contained in this Offering Document and its purchase of Bonds should be based upon such investigation as it deems necessary. None of the Sole Global Coordinator, the Joint Lead Managers and Joint Book Runners or Agents undertakes to review the financial condition or affairs of the Company or the Group during the life of the arrangements contemplated by this Offering Document nor to advise any investor or potential investor in the Bonds of any information coming to the attention of any of the Sole Global Coordinator, the Joint Lead Managers and Joint Book Runners or Agents.

The date of this document is 26 October 2017.

ANNEX A

OFFERING CIRCULAR

IMPORTANT NOTICE

NOT FOR DISTRIBUTION INTO THE UNITED STATES

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

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 U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

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

Confirmation of your Representation:

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

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

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

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Sole Global Coordinator, the Joint Lead Managers and Joint Bookrunners and any person who controls the Sole Global Coordinator or the Joint Lead Managers and Joint Bookrunners and any director, officer, employee, agent of the Sole Global Coordinator and the Joint Lead Managers and Joint Bookrunners or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Sole Global Coordinator or the Joint Lead Managers and Joint Bookrunners.

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

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

Actions that you may not take: If you receive this document by e-mail, you should not reply by e-mail to this document, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

銀川通聯資本投資運營有限公司

YINCHUAN TONGLIAN CAPITAL INVESTMENT OPERATION CO., LTD.
(銀川通聯資本投資運營有限公司)

(incorporated with limited liability in the PRC)

U.S.$300,000,000 3.50 per cent. Bonds due 2020
Issue Price of the Bonds: 99.471 per cent.

The U.S.$300,000,000 3.50 per cent. Bonds due 2020 (the "**Bonds**") will be issued by Yinchuan Tonglian Capital Investment Operation Co., Ltd. (the "**Issuer**" or the "**Company**"), a company incorporated in the People's Republic of China with limited liability. The Bonds will bear interest from 27 July 2017 at the rate of 3.50 per cent. per annum. Interest on the Bonds is payable semi-annually in arrear on 27 January and 27 July in each year, commencing with the first Interest Payment Date (as defined in the terms and conditions of the Bonds (the "**Terms and Conditions**"), falling on 27 January 2018.

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

Pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號))(the "**NDRC Circular**") issued by the National Development and Reform Commission of the PRC ("**NDRC**") on 14 September 2015 which came into effect on the same day, the Issuer has registered the issuance of the Bonds with the NDRC and obtained a certificate from NDRC on 7 November 2016 evidencing such registration and intends to provide the requisite information on the issuance of the Bonds to the NDRC within 10 PRC Business Days (as defined in the Terms and Conditions) after the Issue Date (as defined in the Terms and Conditions). Pursuant to the Administrative Measures for Foreign Debt Registration (外債登記管理辦法)(the "**SAFE Measures**") issued by the State Administration of Foreign Exchange of the PRC ("**SAFE**") on 13 May 2013 which came into effect on the same day, the Issuer is obliged to submit an application to register the Bonds with SAFE within 15 PRC Business Days after the Issue Date. The Issuer undertakes to submit such an application within the prescribed timeframe and complete the registration of the Bonds with SAFE within 90 PRC Business Days after the Issue Date.

Unless previously redeemed, or purchased and cancelled as provided herein, the Issuer will redeem each Bond at its principal amount on 27 July 2020 (the "**Maturity Date**"). At any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (as defined below) (which notice shall be irrevocable), the Issuer may redeem the Bonds in whole, but not in part, at their principal amount, together with unpaid interest accrued to (but not including) the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that the Issuer has or will become obliged to pay Additional Amounts (as defined in the Terms and Conditions) as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 18 July, and such obligation cannot be avoided by the Issuer taking reasonable measures available to it. At any time following the occurrence of a Change of Control (as defined in the Terms and Conditions), each holder of Bonds (each a "**Bondholder**") will have the right, at such Bondholder's option, to require the Issuer to redeem all but not some only of that Bondholder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions) at 101 per cent. of their principal amount, together with accrued interest to (but not including) such Put Settlement Date. At any time following the occurrence of a No Registration Event (as defined in the Terms and Conditions), each Bondholder will have the right, at such Bondholder's option, to require the Issuer to redeem all, but not some only, of that Bondholder's Bonds on the No Registration Put Settlement Date (as defined in the Terms and Conditions) at 100 per cent. of their principal amount, together with accrued interest up to (but excluding) the No Registration Put Settlement Date. See "*Terms and Conditions – Redemption and Purchase*".

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

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

Investing in the Bonds involves risks. See "*Risk Factors*" beginning on page 12 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

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

The Offering Circular is for distribution to professional investors only.

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

The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Issuer or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange 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 however arising from or in reliance upon the whole or any part of the contents of this document.

Application will be made: (i) to the Dubai Financial Services Authority (the "**DFSA**") for the Bonds to be admitted to the official list of securities maintained by the DFSA; and (ii) to NASDAQ Dubai for Bonds issued by the Issuer to be admitted to trading on NASDAQ Dubai. The Offering Circular has been approved by the DFSA under Rule 2.7.1 of the Markets Rules (MKT) module (version 09/02-17) of the DFSA (the "**Markets Rules**") and constitutes an "Approved Prospectus" for the purposes of Article 14 of the Markets Law (DIFC Law No.1 of 2012) (the "**Markets Law**").

The Offering Circular relates to an Exempt Offer in accordance with the Markets Rules. The Offering Circular is intended for distribution only to persons of a type specified in the Markets Rules. It must not be delivered to, or relied on by any other person. The DFSA does not accept any responsibility for the content of the information included in the Offering Circular, including the accuracy or completeness of such information. The liability for the content of the Offering Circular lies with the Issuer, the Sole Global Coordinator and the Joint Lead Managers and Joint Bookrunners. The DFSA has also not assessed the suitability of the Bonds to which the Offering Circular relate to any particular investor or type of investor. If you do not understand the contents of the Offering Circular or are unsure whether the Bonds to which the Offering Circular relate are suitable for your individual investment objectives and circumstances, you should consult an authorised financial adviser.

The Bonds will be represented by beneficial interests in a global bond certificate (a "**Global Bond Certificate**") in registered form, which will be registered in the name of a nominee for, and shall be deposited on or about 27 July 2017 (the "**Closing Date**") with a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Bond Certificate will be shown on, and transfer thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Bond Certificate.

Sole Global Coordinator

Bank of China

Joint Lead Managers and Joint Bookrunners

Bank of China **Société Générale Corporate & Investment Banking**

Offering Circular dated 18 July 2017

NOTICE TO INVESTORS

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER OR ANY OF ITS SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly 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.

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

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

The Issuer has prepared this Offering Circular solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. This Offering Circular does not constitute an offer of, or an invitation by or on behalf Bank of China Limited (the "**Sole Global Coordinator**"), Société Générale, (together with Bank of China Limited, the "**Joint Lead Managers and Joint Bookrunners**") or the Issuer to subscribe for or purchase any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Sole Global Coordinator and the Joint Lead Managers and Joint Bookrunners to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, Hong Kong, the PRC, Singapore and Japan and to persons connected therewith. For a description of certain further restrictions on offers and sales of the Bonds, and distribution of this Offering Circular, see "*Subscription and Sale*". By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, Bonds.

Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

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

None of the Sole Global Coordinator, the Joint Lead Managers and Joint Bookrunners, the Trustee or the Agents or any of their respective affiliates, directors, officers or advisers has independently verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Sole Global Coordinator, the Joint Lead Managers and Joint Bookrunners, the Trustee or the Agents or any of their respective affiliates, directors, officers or advisers, as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Bonds. Nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Sole Global Coordinator, the Joint Lead Managers and Joint Bookrunners, the Trustee or the Agents or any of the respective affiliates, directors, officers or advisers. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Sole Global Coordinator, the Joint Lead Managers and Joint Bookrunners, the Trustee or the Agents or any of the respective affiliates, directors, officers or advisers that any recipient of this Offering Circular should purchase the Bonds. Each person receiving this Offering Circular acknowledges that such person has not relied on the Sole Global Coordinator, the Joint Lead Managers and Joint Bookrunners, the Trustee, the Agents or on any person affiliated with the Sole Global Coordinator, the Joint Lead Managers and Joint Bookrunners, the Trustee or the Agents in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer and the merits and risks involved in investing in the Bonds. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

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

To the fullest extent permitted by law, none of the Sole Global Coordinator, the Joint Lead Managers and Joint Bookrunners, the Trustee or the Agents or any of their respective affiliates, directors, officers or advisers accepts any responsibility for the contents of this Offering Circular and assume no responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by the Sole Global Coordinator, the Joint Lead Managers and Joint Bookrunners, the Trustee or the Agents or any of their respective affiliates, directors, officers or advisers or on their behalf in connection with the Issuer or the issue and offering of the Bonds. Each of the Sole Global Coordinator, the Joint Lead Managers and Joint Bookrunners, the Trustee and the Agents and their respective affiliates, directors, officers or advisers accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Sole Global Coordinator, the Joint Lead Managers and Joint Bookrunners, the Trustee or the Agents or any of their respective affiliates, directors, officers or advisers undertakes to review the results of operations, financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Sole Global Coordinator, the Joint Lead Managers and Joint Bookrunners, the Trustee or the Agents or their respective affiliates, directors, officers or advisers.

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

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

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

Industry and Market Data

Market data and certain industry forecasts used throughout this Offering Circular have been obtained based on internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed by the Issuer to be reliable and accurate but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Issuer, the Sole Global Coordinator, the Joint Lead Managers and Joint Bookrunners or its respective affiliates, directors, officers and advisers makes any representation as to the correctness, accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

Presentation of Financial Information

The Issuer prepares its consolidated financial statements in accordance with Accounting Standards for Business Enterprises (the "**PRC GAAP**"). The Issuer's consolidated financial information as of and for the years ended 31 December 2015 and 2016 (the "**Company's Consolidated Financial Statements**") have been audited by Da Hua Certified Public Accountants (Special General Partnership) ((大華會計師事務所(特殊普通合夥)) ("**Da Hua**"), the independent auditor of the Issuer. PRC GAAP are substantially in line with IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment. Based on the Company's enterprise's accounting policy, there are no material differences between PRC GAAP and International Financial Reporting Standards ("**IFRS**") with respect to the determination of the Company's consolidated financial position as at 2015 and 2016 and results of operations for the years ended 31 December 2015 and 2016. The Sole Global Coordinator and the Joint Lead Managers and Joint Bookrunners can give no assurance that the information contained in the Company's Consolidated Financial Statements is accurate, truthful or complete. The Issuer has not prepared any reconciliation of such consolidated financial information between PRC GAAP and IFRS and has not quantified such differences. Prospective investors should seek advice from their financial and tax advisors if they have any doubt about the differences.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

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

This Offering Circular contains a translation of certain Renminbi amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise specified, where financial information in relation to the Issuer has been translated into U.S. dollars, it has been so translated, for convenience only, at the rate of CNY6.9430 to U.S.$1.00 (the noon buying rate in New York City on 30 December 2016 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York). Further information regarding exchange rate is set forth in "**Exchange Rate**" in this Offering Circular. No representation is made that the Renminbi amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

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

FORWARD-LOOKING STATEMENTS

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

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

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

- ability to successfully implement business plans and strategies;
- future developments, trends and conditions in the PRC life insurance industry;
- business prospects;
- capital expenditure plans;
- the continued availability of capital and financing;
- the actions and developments of competitors;
- financial condition and performance;
- dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Issuer's business;
- general political and economic conditions, including those related to the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which the Issuer operates;
- various business opportunities that the Issuer may pursue;
- macroeconomic measures taken by the PRC government to manage economic growth;

- changes in the global economic conditions and material changes in the global life insurance industry; and

- other factors, including those discussed in "*Risk Factors*".

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

CONTENTS

	Page
SUMMARY	1
THE OFFERING	4
SUMMARY CONSOLIDATED FINANCIAL INFORMATION	8
RISK FACTORS	12
USE OF PROCEEDS	41
EXCHANGE RATES	42
CAPITALISATION AND INDEBTEDNESS	43
TERMS AND CONDITIONS OF THE BONDS	44
SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM	62
DESCRIPTION OF THE GROUP	64
DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT	87
REGULATION AND SUPERVISION IN THE PRC	89
TAXATION	91
SUBSCRIPTION AND SALE	95
GENERAL INFORMATION	100
INDEX TO FINANCIAL STATEMENTS	F-1

SUMMARY

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

The Group is the largest operation platform for stated-owned capital in the Yinchuan Municipality of the Ningxia Hui Autonomous Region in terms of assets size as at 31 December 2016 and is wholly-owned by the Yinchuan SASAC, the local counterpart of the State Administration of State-owned Assets Commission of the PRC. Since its establishment in 2008, the Group has played an important role in particular in implementing the Ningxia government's blueprint for infrastructure planning and municipal construction, and has received strong financial and operational supports from the Yinchuan Municipal Government. Its operations and investments focus on infrastructure development and construction in the Yinchuan Municipality of the Ningxia Hui Autonomous Region.

As at 31 December 2016, the Group operated its principal businesses primarily through 12 subsidiaries. As at 31 December 2015 and 2016, the consolidated total assets of the Group were RMB45,358.0 million and RMB41,305.1 million, respectively. For the years ended 31 December 2015 and 2016, the operating income of the Group was RMB2,152.8 million and RMB2,221.0 million, respectively. For the years ended 31 December 2015 and 2016, gross profit of the Group was RMB476.7 million and RMB488.6 million, respectively.

Over the years, the Group has diversified its business portfolio to include infrastructure construction, water supply, public transportation, gas supply, bookstore operation and other businesses. Set forth below is an overview of the principal business segments of the Group:

- ***Infrastructure Construction***. The Group is the sole government authorised infrastructure constructor in Yinchuan. It conducts its infrastructure construction business through Yinchuan Municipal Construction Investment Holdings Ltd（銀川市城市建設投資控股有限公司）(the "**Municipal Construction Company**") in which the Group directly holds approximately 78.7 per cent. of equity interest. The Group mainly undertakes infrastructure construction projects for the Yinchuan Municipal Government, such as the construction of municipal roads, affordable housing projects, water facilities and educational institutions. The Group also undertakes a small number of self-invested infrastructure construction projects. As at 31 December 2016, some of the Group's completed infrastructure construction projects have not been fully paid. The total investment of those infrastructure construction projects amounted to approximately RMB15,140.2 million. As at 31 December 2016, the Group had received payments for those infrastructure construction projects totalling approximately RMB4,504.3 million, which represented approximately 20.0 per cent. of the total amount receivable for those projects. As at 31 December 2016, the Group had approximately 520 ongoing infrastructure construction projects with investment totalling approximately RMB9,599.6 million. For the years ended 31 December 2015 and 2016, operating income generated from the Group's infrastructure construction business was RMB1,042.0 million and RMB1,011.7 million, respectively, representing 48.4 per cent. and 45.6 per cent., respectively, of the Group's operating income. For the years ended 31 December 2015 and 2016, gross profit generated from the Group's infrastructure construction business was RMB431.6 million and RMB401.3 million, respectively, representing 84.3 per cent. and 80.7 per cent., respectively, of the Group's total gross profits.

- ***Water Supply***. The Group is the sole water supplier in Yinchuan. The Group's water supply business includes tap water supply, water facility construction and other related business. It conducts its water supply business primarily through Yinchuan China Railway Water Group Co., Ltd.（銀川中鐵水務集團有限公司）(the "**China Railway Water Company**") in which the Group directly holds 51.0 per cent. of equity interest, and through its wholly-owned direct subsidiary, Yinchuan West Water Supply Co., Ltd.(銀川市西部供水有限公司)(the "**Water Supply Company**"). China Railway Water Company is the sole supplier for tap water supply, water facility construction and other related business in Yinchuan. Water Supply Company supplies tap water for industrial use for the area around Yinchuan. As at 31 December 2016, the Group supplied tap water in Yinchuan with the coverage extended to over 1.3 million residents in an area of approximately 330 square kilometres in Yinchuan. As of 31 December 2016, the Group had nine pieces of water supply land, 13 water supply plants, 272 deep wells, and 1,277 kilometres of water pipeline networks (DN100mm or above) in operation. The Group's water plants had a combined design water processing capacity of 533,000 million tonnes per day as of 31 December 2016. For the years ended 31 December 2015 and 2016, the operating income derived from the Group's water supply business was RMB371.8 million and RMB430.9 million, respectively, representing 17.3 per cent. and 19.4 per cent., respectively, of the Group's operating income. For the years ended 31 December 2015 and 2016, gross profit generated from the Group's water supply business was RMB109.4 million and RMB91.1 million, respectively, representing 21.4 per cent. and 18.3 per cent., respectively, of the Group's total gross profits.

- ***Public Transportation***. The Group is the sole public transportation operator in Yinchuan. It conducts its public transportation business primarily through Yinchuan City Public Transportation Co., Ltd(銀川市公共交通有限公司)(the "**Public Transportation Company**") in which Municipal Construction Company holds 100.0 per cent. The Group's public transportation network covers the downtown area of Yinchuan and nearby counties including Helan County(賀蘭縣)and Yongning County(永寧縣), representing approximately 60% of the urban public passenger transportation (buses, vans and taxis) in Yinchuan. It also covers some neighbouring districts such as Binhe New District(濱河新區). As at 31 December 2016, the Group had 1,818 public vehicles operating in 125 routes, with a total length of routes amounting to 2,229.8 km, a total travelled distance of its public vehicles of 8,444.1 km and a total passenger traffic volume of 310.0 million person-times. For the years ended 31 December 2015 and 2016, the operating income derived from the Group's public transportation business was RMB211.9 million and RMB203.5 million, respectively, representing 9.8 per cent. and 9.2 per cent., respectively, of the Group's operating income. Due to the public services nature of the Yinchuan bus system, the Yinchuan Municipal Government controls the ticket fares. The operating income generated from the Group's public transportation business covers part of its operating costs. For the years ended 31 December 2015 and 2016, the Group's public transportation business initially recorded losses of RMB303.5 million and RMB271.6 million, respectively. The Yinchuan Municipal Government subsidises the Group for the bus operations due to its public services nature. For the years ended 31 December 2015 and 2016, the government subsidies received by the Group for its public transportation business amounted to RMB225.2 million and RMB223.4 million, respectively.

- ***Gas Supply***. The Group operates one of the primary liquefied gas providers in Yinchuan and offers the most comprehensive set of gas supply services in Yinchuan. It conducts its gas supply business primarily through Yinchuan Gas Heating Co., Ltd.(銀川市煤氣供熱有限公司)(the "**Gas Heating Company**"), a wholly-owned direct subsidiary of Municipal Construction Company. Gas Heating Company is primarily engaged in the supply of bottled liquefied petroleum gas and compressed natural gas for automobiles for approximately 90,000 residents and some of the urban catering industry in Yinchuan. For the years ended 31 December 2015 and 2016, the operating income derived from the Group's gas supply business was RMB77.3 million and RMB60.7 million, respectively, representing 3.6 per cent. and 2.7 per cent., respectively, of the Group's operating income. For the years ended 31 December 2015 and 2016, gross profit generated from the Group's gas supply business was RMB20.9 million and RMB13.6 million, respectively, representing 4.1 per cent. and 2.7 per cent., respectively, of the Group's total gross profits.

- ***Bookstore Operation***. The Group is the largest state-owned bookstore operator in Yinchuan with 60 years of operating experience and its sales volume of books accounted for over 80% of the total sales volume of the region for the calendar year ended 31 December 2016. It conducts its bookstore business primarily through its wholly-owned direct subsidiary, Yinchuan Xinhua Bookstore Co., Ltd.(銀川新華書店有限公司)(the "**Bookstore Company**"). The Group's bookstore business includes the sales of books, audio-visual products and stationery. For the years ended 31 December 2015 and 2016, the operating income derived from the Group's bookstore operation business was RMB104.3 million and RMB106.1 million, respectively, representing 4.8 per cent. and 4.8 per cent., respectively, of the Group's operating income. For the years ended 31 December 2015 and 2016, gross profit generated from the Group's bookstore operation business was RMB35.0 million and RMB30.9 million, respectively, representing 6.8 per cent. and 6.2 per cent., respectively, of the Group's total gross profits.

- ***Other businesses***. The Group is also engaged in other business operations including, among others, secured transport service, real property, tourism, advertising, property leasing and management, sewage treatment and financial services. For the years ended 31 December 2015 and 2016, the operating income derived from the Group's other businesses was RMB345.5 million and RMB408.1 million, respectively, representing 16.0 per cent. and 18.4 per cent., respectively, of the Group's operating income. For the years ended 31 December 2015 and 2016, gross profit generated from the Group's other businesses was RMB218.6 million and RMB231.9 million, respectively, representing 42.7 per cent. and 46.6 per cent., respectively, of the Group's total gross profits.

COMPETITIVE STRENGTHS

Excellent location with great social and economic development potential;

The largest investment platform for infrastructure development and construction wholly-owned by the Yinchuan SASAC;

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

Diversified sources of funding and strong credit position; and

Experienced management team with sound corporate governance.

BUSINESS STRATEGIES

Actively respond to the "One Belt, One Road" initiative of the PRC government and continue to focus on municipal infrastructure development in Yinchuan;

Further enhance the Group's core competitive advantages in its business industries with support from local government;

Continue to diversify the Group's businesses and to expand into industries that provide synergies with the Group's core businesses;

Continue to centralise the management of the Group's capital;

Improve risk management system and adopt strict risk control measures; and

Attract, motivate and cultivate high-quality talent.

Recent Development

The Group's total liabilities were RMB26.7 billion as at 31 May 2017. The Group's other payables increased by RMB6.2 billion from 31 December 2016 to 31 May 2017; correspondingly, the Group's currency funds increased by RMB2.1 billion and other current assets increased, mainly in the form of financial products, by RMB3.8 billion for the same period.

THE OFFERING

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

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

Issuer	Yinchuan Tonglian Capital Investment Operation Co., Ltd. (銀川通聯資本投資運營有限公司).
Bonds	U.S.$300,000,000 3.50 per cent. Bonds due 2020
Issue Price.	99.471 per cent.
Form and Denomination.	The Bonds will be issued in registered form in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Interest	The Bonds will bear interest from 27 January 2018 at the rate of 3.50 per cent. per annum, payable semi-annually in arrear on 27 January and 27 July in each year.
Issue Date	27 July 2017.
Maturity Date	27 July 2020.
Status of the Bonds	The Bonds will constitute direct, general, unconditional and (subject to Condition 3(a) (*Negative Pledge*) of the Terms and Conditions) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Negative pledge	The Bonds will contain a negative pledge provision as further described in Condition 3(a) (*Negative Pledge*) of the Terms and Conditions.
Redemption at Maturity .	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their respective principal amounts on the Maturity Date.
Taxation	All payments of principal, premium and interest in respect of the Bonds by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the PRC or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law.

Where such withholding or deduction is made by the Issuer in the PRC at the rate applicable on 18 July 2017 (the "**Applicable Rate**"), the Issuer will pay such additional amounts as will result in receipt by the Bondholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.

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

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

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

(A) the Issuer has or will become obliged to pay Additional Amounts as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 18 July 2017; and

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

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

Redemption for Change of Control . . . . At any time following the occurrence of a Change of Control, each Bondholder will have the right, at such Bondholder's option, to require the Issuer to redeem all but not some only of that Bondholder's Bonds on the Put Settlement Date at 101 per cent. of their principal amount, together with accrued interest to such Put Settlement Date.

A "**Change of Control**" occurs when the Controlling Person ceases to have Control of the Issuer or its successor entity;

"**Control**" means (where applicable) (i) the ownership, acquisition or control of not less than 100 per cent. of the voting rights of the issued share capital of the Issuer, whether obtained directly or indirectly or (ii) the right to appoint and/or remove not less than 100 per cent. of the members of the Issuer'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; and

"**Controlling Person**" means the State-owned Assets Supervision and Administration Commission of the Yinchuan City (銀川市國有資產監督管理委員會).

Redemption for No Registration Event . . . At any time following the occurrence of a No Registration Event, each Bondholder will have the right, at such Bondholder's option, to require the Issuer to redeem all, but not some only, of that Bondholder's Bonds on the No Registration Put Settlement Date at 100 per cent. of their principal amount, together with accrued interest up to (but excluding) the No Registration Put Settlement Date.

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

Events of Default . . . . . . Upon the occurrence of certain events as described in Condition 8 (*Events of Default*) of the Terms and Conditions, the Trustee at its discretion may and, if so requested in writing by holders of at least one quarter of the aggregate principal amount of the outstanding Bonds and/or if so directed by an Extraordinary Resolution of the Bondholders, shall (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) give written notice to the Issuer declaring the Bonds to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality.

Cross-default . . . . The Bonds will contain a cross-default provision as further described in Condition 8(c) (*Cross-default of Issuer or Subsidiary*) of the Terms and Conditions.

Clearing Systems . . . . . . The Bonds will be represented by beneficial interests in a Global Bond Certificate in registered form, which will be registered in the name of a nominee of, and shall be deposited with, a common depository for Euroclear and Clearstream. Beneficial interests in the Global Bond Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except in the limited circumstances described in the Global Bond Certificate, owners of interests in Bonds represented by a Global Bond Certificate will not be entitled to receive individual Bond Certificates in respect of their individual holdings of Bonds. The Bonds are not issued in bearer form.

Clearance and Settlement	The Bonds have been accepted for clearance by Euroclear and Clearstream under the following codes: ISIN: XS1640820160. Common Code: 164082016.
Governing Law	English law.
Trustee and Principal Paying Agent	The Bank of New York Mellon, London Branch
Registrar and Transfer Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch
Listing	Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds on the Hong Kong Stock Exchange by way of debt issues to professional investors (as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) only.
Rating.	The Bonds are expected to be rated "Baa3" by Moody's. A rating is not a recommendation to buy, sell or hold the Bonds. A rating is subject to revision or withdrawal at any time by the rating agency.
Further Issues	The Issuer may from time to time, without the consent of the Bondholders and in accordance with the Trust Deed, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest and the timing for reporting to the NDRC) so as to form a single series with the Bonds, as the case may be, as further described in Condition 14 (*Further Issues*) of the Terms and Conditions.
Use of Proceeds	See "*Use of Proceeds*".

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The summary consolidated financial information of the Group as at and for the years ended 31 December 2015 and 2016 set forth below has been extracted from the Company's Consolidated Financial Statements as at and for the years ended 31 December 2015 and 2016, which are included elsewhere in this Offering Circular. The Company's Consolidated Financial Statements as at and for the years ended 31 December 2015 and 2016 were prepared and presented in accordance with PRC GAAP and have been audited by Da Hua in accordance with Auditing Standards for Certified Public Accountants in China. PRC GAAP are substantially in line with IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment. Based on the Company's enterprise's accounting policy, there are no material differences between PRC GAAP and IFRS with respect to the determination of the Company's consolidated financial position as at 2015 and 2016 and results of operations for the years ended 31 December 2015 and 2016. The Sole Global Coordinator and the Joint Lead Managers and Joint Bookrunners can give no assurance that the information contained in the Company's Consolidated Financial Statements is accurate, truthful or complete. Prospective investors should seek advice from their financial and tax advisors if they have any doubt about the differences.

The summary consolidated financial information as set forth below should be read in conjunction with, and is qualified entirely by reference to, the relevant consolidated financial statements of the Group and the notes thereto included elsewhere in this Offering Circular.

Summary Consolidated Income Statement of the Group

	For the Year Ended 31 December	
	2015	2016
	(Audited)	(Audited)
	(RMB in millions)	
Total income	**2,152.8**	**2,221.0**
Including: Operating income	2,152.8	2,221.0
Including:		
Income from main operation	2,064.0	2,033.4
Income from other operations	88.8	187.6
Total operating costs	**2,202.8**	**2,539.1**
Including: Operating costs	1,640.8	1,723.9
Including:		
Cost of main operation	1,605.1	1,623.5
Cost of other operations	35.7	100.4
Business taxes and surcharges	57.4	27.7
Sales expenses	158.2	177.1
Administrative expenses	197.6	172.6
Financial expenses	148.1	438.3
Including:		
Interest expenses	155.7	459.2
Interest income	11.4	24.4
Loss on impairment of assets	0.7	(0.6)
Others		
Add:		
Investment income/(loss)	(11.8)	18.8
Operating profit	**(61.8)**	**(299.3)**
Add: Non-operating income	555.7	793.3
Including:		
Gain from disposal of non-current assets	1.0	1.4
Government grants	533.5	789.4
Less: Non-operating expenses	17.2	5.4
Including:		
Losses from disposal of non-current assets	15.1	4.4
Profit before tax (or less: total loss)	**476.7**	**488.6**
Less: Income tax	68.5	70.6
Net profit	**408.2**	**418.0**
Net profit attributable to owners of the parent company	298.2	461.1
Profit or loss attributable to minority interests	110.0	(43.1)
Total comprehensive income/(loss)	**408.2**	**418.0**
Total comprehensive income attributable to owners of the parent company	298.2	461.1
Total comprehensive income attributable to minority interests	110.0	(43.1)

Summary Consolidated Balance Sheet of the Group

	As at 31 December	
	2015	2016
	(Audited)	(Audited)
	(RMB in millions)	
Current Assets:		
Cash and cash equivalents	5,232.7	3,038.3
Notes receivable	0.3	0.4
Accounts receivable	283.9	83.3
Prepayments	9,476.8	5,734.7
Interest receivables	0.2	–
Dividend receivables	–	3.9
Other receivables	9,497.5	4,402.1
Inventories	754.5	812.1
Including:		
Raw materials	10.8	38.0
Products	38.9	41.9
Other current assets	358.6	907.3
Total Current Assets	**25,604.5**	**14,982.2**
Non-current Assets:		
Financial assets available-for-sale	2,353.8	8,385.0
Long-term equity investments	464.9	1,242.1
Investment properties	27.9	67.8
Cost of fixed assets	3,414.0	3,551.4
Less: Accumulated depreciation	974.1	1,163.5
Net carrying amount of fixed assets	2,439.9	2,387.9
Less: Provision for impairment of fixed assets	1.4	1.4
Net carrying value of fixed assets	2,438.5	2,386.4
Constructions in process	8,681.6	9,599.6
Intangible assets	5,760.6	4,620.6
Long-term deferred expenses	14.8	10.0
Deferred tax assets	1.5	1.3
Other non-current assets	10.0	10.0
Total Non-current Assets	**19,753.5**	**26,323.0**
TOTAL ASSETS	**45,358.0**	**41,305.1**
Current Liabilities:		
Short-term Loans	2,648.0	1,010.0
Notes Payable	30.0	50.0
Accounts Payable	262.5	291.5
Receipts in advance	200.0	211.5
Employee benefits payable	23.5	28.9
Including: Salary payable	22.7	27.1
Taxes and fees payables	356.2	438.6
Including: Taxes payable	351.8	431.6
Interest payable	300.1	307.3
Other payables	1,988.0	3,066.5
Non-current liabilities due within one year	920.5	2,349.0
Other current liabilities	–	500.0
Total Current Liabilities	**6,728.8**	**8,253.3**
Non-current Liabilities:		
Long-term borrowings	11,735.6	3,190.6
Bonds payable	7,598.8	7,623.1
Special payables	118.0	273.3
Deferred income	7.3	22.4
Deferred tax liabilities	8.2	5.5
Other non-current liabilities	273.1	562.1
Total Non-current Liabilities	**19,741.0**	**11,677.1**
TOTAL LIABILITIES	**26,469.8**	**19,930.4**
Owners' Equity:		
Paid-up capital	10,055.6	12,705.6
Including: National capital	10,055.6	12,705.6
Net carrying amount of paid-up capital	10,055.6	12,705.6
Capital reserves	6,732.0	6,161.7
Special reserves	1.7	2.8
Surplus reserves	0.1	3.1
Including: statutory surplus reserve	0.1	3.1
Retained profits	298.1	755.6
Total equity attributable to owners of the parent company	17,087.4	19,628.8
Minority interests	1,800.8	1,745.9
TOTAL OWNERS' EQUITY	**18,888.2**	**21,374.7**
TOTAL LIABILITIES AND OWNERS' EQUITY	**45,358.0**	**41,305.1**

EBITDA Data of the Group

	Year Ended 31 December	
	2015	2016
	(RMB in millions, except percentages)	
EBITDA[(1)]	902	1,306
EBITDA margin[(2)]	41.90%	58.82%
EBITDA to total interest expense ratio	5.79x	2.84x
Ratio of total debt to EBITDA	25.72x	11.70x

(1) EBITDA for any period is calculated as profit before tax, adding back interest expenses, exchange loss, depreciation and amortization. EBITDA is not a standard measure under PRC GAAP or IFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, profit or any other measure of performance or as an indicator of the Group's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, the Group believes that investors should consider, among other things, the components of EBITDA such as selling and distribution costs and the amount by which EBITDA exceeds capital expenditures and other charges. The Group has included EBITDA because the Group believes it is a useful supplement to cash flow data as a measure of the Group's performance and the Group's ability to generate cash flow from operations to service debt and pay taxes. EBITDA presented in this offering circular may not be comparable to similarly titled measures presented by other companies. You should not compare the Group's EBITDA to EBITDA presented by other companies because not all companies use the same definition. The following table reconciles the Group's EBITDA to the Group's operating profit, which is the most directly comparable IFRS measure:

	For the Year Ended 31 December	
	2015	2016
	(Audited)	(Audited)
	(RMB in millions)	
Profit before tax	477	489
Adjustments:		
Add:		
Interest Expenses, Net	156	459
Exchange Loss, Net	0	0
Depreciation	199	244
Amortization	70	114
EBITDA	902	1,306

(2) EBITDA margin is calculated by dividing EBITDA by total income.

RISK FACTORS

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

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

RISKS RELATING TO THE GROUP

The Group's performance is largely dependent on fiscal policies and public spending on infrastructure by the Yinchuan Municipal Government.

The Group is the largest operation platform for state-owned capital in the Yinchuan Municipality of the Ningxia Hui Autonomous Region in terms of assets size as at 31 December 2016. Since its establishment in 2008, the Group has played an important role in implementing the Ningxia government's blueprint for urban planning and municipal construction, and has received strong financial and operational supports from the Yinchuan Municipal Government. Its operations and investments focus on the infrastructure development and construction in the Yinchuan Municipality of the Ningxia Hui Autonomous Region. The Group focuses on infrastructure construction, water supply, public transportation, gas supply and bookstore operation, especially on infrastructure construction, and a majority of its customers are governmental agencies and state-owned enterprises. As a result, the Group's business and financial performance may be materially affected by changes in the Yinchuan Municipal Government's fiscal policies and public spending.

A number of factors can affect the nature, scale, location and timing of the Yinchuan Municipal Government's budgets for infrastructure development. These factors include policies and priorities of the PRC and the Ningxia Hui Autonomous Regional Government of concerning the development of different regions of China, the fiscal and monetary policies of the Yinchuan Municipal Government, and public investment plans of the Yinchuan Municipal Government in infrastructure development. These factors may be affected by changes in the economic conditions in the PRC and the Ningxia Hui Autonomous Region generally, as well as in Yinchuan particularly. While the PRC economy has witnessed rapid growth in the past 30 years, its development has been uneven since 2008 due to the global financial crisis. The growth rate of China's GDP has decreased in recent years and remained relatively slow. Any sustained slowdown or material deterioration in China's overall economic conditions may increase the vulnerability of the economic conditions of Yinchuan and the fiscal conditions of the Yinchuan Municipal Government, which could in turn materially and adversely affect public investment plans of the Yinchuan Municipal Government in infrastructure development. If the

Yinchuan Municipal Government decreases or intends to decrease public spending on infrastructure development, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

Any adverse change in the economic development, social conditions, government policies or natural conditions of Yinchuan could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group historically derived and will continue to derive substantial portion of its revenue from Yinchuan. Due to the Group's business concentration in Yinchuan, any economic slowdown in Yinchuan could reduce the demand for the Group's products and services. Furthermore, the Yinchuan Municipal Government has adopted preferential policies in a number of industries where the Group operates and has offered the Group various forms of governmental support. There is no assurance that the Yinchuan Municipal Government will not change or terminate such preferential policies or governmental support. Any adverse change in the economic development, social conditions or government policies in Yinchuan could materially and adversely affect the Group's business, financial conditions, results of operations and prospects.

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

The Group is wholly-owned by the Yinchuan SASAC and, accordingly, the Yinchuan Municipal Government can exert significant influence on the Group's major business decisions and strategies, including the scope of its operations, investment decisions and dividend policy. There is no assurance that the Yinchuan SASAC would always make decisions in the Group's best interests or with the aim of maximising the Group's profits. For example, the Yinchuan SASAC may influence the Group's business and strategy in a manner beneficial to Yinchuan as a whole, which may not necessarily be in the Group's best interests. The Yinchuan Municipal Government could also change its policies, plans, preferences, views, expectations, projections, forecasts and opinions, as a result of changes in the PRC's economic, political and social environment, its projections of population and employment growth. Any such change may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group faces risks associated with the collaboration with government authorities and state-owned entities.

As the largest operation platform for stated-owned capital in the Yinchuan Municipality of the Ningxia Hui Autonomous Region in terms of asset size as at 31 December 2016 wholly-owned by the Yinchuan SASAC, the Group collaborates with a number of government authorities and state-owned entities in Yinchuan and other regions in the PRC. Although the Group believes that it currently maintains close and good relationships with these authorities and entities, there is no assurance that these relationships will remain close and good in the future. These government authorities and state-owned entities may (i) have economic or business interests or consideration that are inconsistent with the Group's; (ii) take actions contrary to the Group's requests, policies or objectives; (iii) be unable or unwilling to fulfil their obligations; (iv) have financial difficulties; or (v) have disputes with the Group as to the contractual terms or other matters. In case disputes arise between the Group and any of these government authorities or state-owned entities, there is no assurance that the Group is able to successfully resolve such disputes in a timely manner. In addition, disputes with public bodies may last for a much longer time than those with private parties, which may also delay payments of compensation. Any of these could materially and adversely affect the relationships between the Group and government authorities and state-owned entities, which may in turn materially and adversely affect the Group's business, financial condition, results of operations and prospects.

Changes in government grants, subsidies or other incentives currently received by the Group may adversely affect the Group's business, results of operations and financial conditions.

For the years ended 31 December 2015 and 2016, the Group received government grants and subsidies of RMB533.5 million and RMB789.4 million, respectively. There is no assurance that such government grants or subsidies will not be reduced or revoked, or extended upon expiration of the current preferential treatment periods. There also can be no assurance that the Group will be entitled to other government grants or subsidies in future. As a result, the Group is subject to the risk of fluctuation in operational income due to the unstable nature of governmental subsidies, as well as the fact that these amounts are a significant proportion of the Group's overall revenues. A reduction or discontinuance of such government grants, subsidies and other incentives may materially and adversely affect the Group's financial condition and results of operations.

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

The Group's business activities are extensively regulated by planning policies and other laws and regulations of various levels of the PRC Government. The Group's business requires approvals, licenses or permits from the relevant governmental authorities, which takes time to obtain. Failures to obtain the necessary approvals, licenses or permits in a timely manner could result in regulatory or administrative penalties. As at 31 December 2016, the Group has obtained all the relevant material permits or licenses required for its business. However, new laws, regulations or policies may come into effect from time to time with respect to infrastructure construction, water supply, public transportation, gas supply, bookstore operation and other industries relevant to our businesses in general, the development program or the particular processes with respect to the granting of approvals, licenses or permits. Complying with such laws, regulations or policies may require substantial expense and may delay the completion of the Group's projects. In case of any non-compliance, the Group may have to incur significant expense and divert substantial management time to resolve any deficiencies.

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

The Group is required to comply with extensive environmental, safety and health laws and regulations and quality control standards. Any failure to comply with these regulations or standards may result in suspension of operations, failure in evaluation, substantial penalties and fines, suspension or revocation of licenses or permits, termination of government contracts, administrative proceedings or litigation.

The Group is required to comply with extensive environmental, safety and health laws and regulations promulgated by the PRC Government, as well as quality control standards. Given the magnitude and complexity of these laws and regulations, compliance with them or the establishment of effective monitoring systems may be onerous or require a significant amount of financial and other resources. If the Group fails to comply with these laws, regulations and industry standards applicable to its operations, the Group could be subject to suspension of operations, failure in evaluation when delivering the project, substantial penalties, fines, suspension or revocation of licenses or permits, termination of government contracts, administrative proceedings or litigation. The Group has been penalized for a safety accident. Such events could have a material adverse effect on the Group's business, results of operations, financial condition and reputation. As these laws and regulations continue to evolve, there is no assurance that the PRC Government will not impose additional or more onerous laws or regulations, compliance with which may cause the Group to incur significantly increased costs.

The Group depends on third-party subcontractors for its infrastructure development projects.

The Group often engages third-party subcontractors to provide construction services for large infrastructure development projects. The Group maintains relationships with a number of qualified subcontractors. While the Group has established a system with respect to the selection and control of subcontractors, it may not be able to monitor the performance of these subcontractors as directly and efficiently as it does with its own staff. As such, the engagement of subcontractors is subject to certain risks, including difficulties in overseeing the performance of such subcontractors in a direct and effective manner, failure to complete a project where the Group is unable to hire suitable subcontractors, or losses as a result of unexpected subcontracting cost overrun. As subcontractors generally have no direct contractual relationship with the Group's clients, the Group is subject to risks associated with non-performance, late performance or poor performance by its subcontractors. As a result, the Group may experience deterioration in the quality of its projects, incur additional cost, or be exposed to liability in relation to the performance of subcontractors under the relevant contracts, which may have an impact on its profitability, financial condition and reputation, and may result in litigation or damages claims. In addition, qualified subcontractors may not always be readily available when the need for additional services or labour arises. If the Group is unable to hire qualified subcontractors or additional part-time labours, the Group's ability to take on additional projects or complete its current projects on time could be impaired. Furthermore, if the Group needs to terminate the engagement of a contractor, the Group may not be able to find a replacement contractor on suitable terms, if at all, and the timetable for completing projects could be affected. Any such events could have a material adverse effect on the Group's business, financial condition and results of operations.

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

A significant portion of the Group's business are capital intensive. The Group operates its primary businesses under a business model with high upfront capital requirements that are gradually offset by earnings in the middle and later stages of the projects. The Group expects to incur significant initial capital expenditures during the early stage of the construction period of its projects as it may be required to pay for certain costs and expenditures prior to receiving payment from its customers. As a result, the Group does not anticipate net operating cash inflow at the initial stages of a project in relation to its primary business.

To the extent the Group does not have sufficient internal cash flows and financial resources to fund capital commitments associated with its projects, the Group will need to obtain alternative funding from third party sources. The Group's ability to access such funding depends on a number of factors, including its historical performance, financial condition, and the market's perception of its current and future earnings. In addition, certain PRC Government actions and policy initiatives may limit the Group's ability to use bank loans to finance its construction development projects and therefore it may need to maintain a higher level of internally sourced cash for the expansion of business.

As at 31 December 2015 and 2016, the Group's total borrowings were RMB22,932.9 million and RMB14,222.7 million, respectively. Total borrowings include short term and long term loans, notes payable, bonds payable and non-current liabilities maturing within one year. Any material adverse change in the Group's cash flows from operating activities may affect its ability to obtain any necessary external financing or credit on terms acceptable to it, or at all. If the Group is unable to obtain sufficient financing on a timely basis or at reasonable cost, the Group may not be able to undertake new projects, which could have a material adverse effect on its business, financial condition and results of operations.

There is no assurance that the Group's internal resources and external borrowings will be sufficient to finance all of its continued or planned capital expenditures going forward. If the Group fails to obtain sufficient funding on commercially reasonable terms, its liquidity, business, financial condition, results of operations and growth prospects may be materially and adversely affected.

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

The Group relies on external borrowings to satisfy a portion of its capital requirements and, therefore, the Group has significant outstanding indebtedness. As at 31 December 2016, the Group had an outstanding balance of debt financing instruments of RMB11.2 billion, comprising corporate debt of RMB5.3 billion, medium term notes of RMB2.4 billion, short-term financing notes of RMB0.5 billion and privately placed debt financing instruments of RMB3.0 billion. See "Capitalisation and Indebtedness".

Substantial indebtedness could significantly impact the Group's businesses, such as:

- dedicate part of the Group's operating cash flow to service its indebtedness;
- increase the Group's financing costs, thus affecting the Group's overall profitability;
- limit the Group's ability to adapt to changes in business operations and the market fluctuation;
- together with the financial and other restrictive covenants, among other things, limit the Group's ability to generate additional borrowings; and
- increase the Group's vulnerability to adverse general economic and industrial conditions.

For the years ended 31 December 2015 and 2016, the Group's finance expenses totalled RMB148.1 million and RMB438.3 million, respectively. Some of the Group's indebtedness are secured by encumbrances over its assets such as mortgages over buildings, and pledges over the Group's subsidiaries' enterprise beneficial rights, designated accounts and/or account receivables. As at 31 December 2016, the Group's total secured indebtedness totalled RMB4,684.7 million. These third-party security rights may limit the Group's rights over these assets and adversely affect its operational efficiency. In the future, as the Group's operations continue to expand and its capital requirements continue to grow, the Group may from time to time incur substantial indebtedness, which may in turn increase the Group's pressure to control its borrowings. In the event that the Group fails to keep its indebtedness under a certain level, the funds available for various other business purposes may be limited, and its business, financial condition and results of operations may be materially and adversely affected.

In addition, the Group guarantees for the benefit of its subsidiaries and third parties from time to time and accordingly incurs contingent liabilities. As at 31 December 2016, the total guaranteed indebtedness for the benefit of the Group's subsidiaries and third parties amounted to RMB1,014.0 million and RMB609.2 million, respectively. Such contingent liabilities may materially and adversely affect the Group's business, financial condition and results of operations in case the creditors request payment from the Group. Furthermore, most of the guarantees do not explicitly prescribe grace period, during which the Group may request primary obligors to repay relevant indebtedness before execution of guarantees. As at 31 December 2016, the Group had not received any notice from creditors under these guarantees claiming default or requesting the Group's payments. However, there is no assurance that the Group will not receive such claim or request in the future, which could materially and adversely affect the Group's business, financial condition and results of operations.

Certain of the Group's subsidiaries' loan agreements contain restrictive covenants, which prevent these subsidiaries from, among other things, incurring or guaranteeing additional indebtedness, declaring dividends on capital stock, purchasing or redeeming capital stock or making investments. Failure to comply with these restrictive covenants could lead to a default under these agreements. A default under one loan agreement may cause acceleration of repayment or default of another. Certain of the Group's subsidiaries have deferred and may defer in the future their indebtedness with creditors, which may contain additional and more stringent covenants or trigger cross-acceleration or cross-default provisions under other agreements. In this event, the Group's assets and cash flow may not be sufficient to repay in full all of the indebtedness due and payable, or that it would be able to find alternative financing.

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

All of the Group's current and anticipated infrastructure construction development projects are located in Yinchuan Municipal. Any material region-wide adverse events may negatively impact the demand for infrastructure construction development in Yinchuan Municipal, which would in turn affect revenue and profitability. Such adverse events include changes in economic conditions and the regulatory environment, changes in the government's development plans and policies in Yinchuan Municipal, slowdown in the infrastructure construction sector, decrease in investor confidence within the region, significant natural disasters and man-made incidents. Due to the limited geographical coverage of its operations, the Group may not be able to effectively manage any potential losses arising from these adverse events, which may materially and adversely affect the Group's business, financial condition and results of operations.

Price fluctuations and supply shortages of construction materials or utilities may cause a substantial disruption to the Group's business and results of operations.

Due to the Group's large scale of operations, it requires large quantities of construction materials to support its infrastructure construction development business and therefore it is important for the Group to secure reliable supplies of raw materials in order to maintain a high level of construction materials output with high quality standard. The Group sources these raw materials externally, and purchases these raw materials based on prevailing market prices. Price volatility caused by external conditions are beyond the Group's control. These include market price fluctuations or changes in government policies. There is no assurance that the Group's key suppliers will continue to provide the Group with raw materials at reasonable prices or at the level of quality required by the Group's infrastructure construction development business. If the prices of raw materials required by the Group's for its businesses increase significantly or the quality of the raw materials supplied to the Group are sub-standard, or if there is any material disruption to the supply of raw materials to the Group this could have a material adverse effect on the business, financial condition and results of operations of the Group's businesses.

The Group's operates a number of diversified business segments and is exposed to business, market and regulatory risks relating to different business segments.

The Issuer has a number of principal business segments of the Group including (i) infrastructure construction development (ii) water supply (iii) public transportation (iv) gas supply (v) bookstore operation and (vi) other businesses. The Issuer has a number of portfolio companies operating in multiple industries and markets. As a result, the Group is exposed to business, market and regulatory risks relating to different industries and markets, and may from time to time expand its businesses to new industries, markets and geographic areas in which it has limited operating experience. It needs to devote substantial resources to become familiar with, and monitor changes in, different operating environments so that it can succeed in its businesses. In addition, due to the large number of the Group's portfolio companies, successful operation of the Group requires an effective management system. As the Group continues to grow its businesses and expand into various industries, the Group's operations may become more complex, which would increase the difficulty of implementing its management system. The Issuer may provide direct funding, guarantees and other support to certain of its portfolio companies from time to time. For example, the Issuer may provide shareholder loans to, or act as a guarantor for the borrowings of, certain portfolio companies. If a portfolio company defaults on any borrowings lent or guaranteed by the Issuer, the Issuer will not receive the repayment as planned or the relevant lender may exercise its right under the guarantee to demand repayment from the Issuer. The occurrence of either of these types of events may result in a funding shortage at the Issuer level and may materially and adversely affect the Issuer's ability to provide financial support to its other portfolio companies. If the Issuer's financial or non-financial support ceases or diminishes for any reason, the operations of the relevant portfolio companies may be materially and adversely affected, which in turn may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group faces management risks due to its numerous business segments and subsidiaries.

The Group has multiple business segments and 37 subsidiaries under its control. Although the Group conducts most of its business in Yinchuan, the diversification of its business and therefore its assets and management may create difficulties for the Group to manage its assets and financials, to exchange information internally and to coordinate among different businesses teams. The inherent management risks of the Group could have a material adverse effect on the business, financial condition and results of operations of the Group's businesses.

The Group's existing bank borrowings are, and future bank borrowings may be, subject to interest rate fluctuations, which could affect the Group's ability to fulfil its debt obligations.

The majority of the Group's existing bank borrowings carry variable interest rates ranging from 100.0 per cent. to 120.0 per cent. of the benchmark rate for the relevant standard loans as published by the PBOC. In recent years, the PRC Government from time to time adjusted interest rates to control the level of market liquidity and the PRC economy. Any material fluctuation in the benchmark lending interest rate could have a material impact on the Group's interest payables under its bank loans and in turn affect its results of operations. The Group's future loan facilities will also carry interest rates based on the PBOC benchmark lending rate and subject to market conditions. There is no assurance, as a result of any increase in the PBOC benchmark rate or otherwise, the Group will be able to service its existing bank borrowings as they become due or obtain sufficient additional bank borrowings going forward on commercially acceptable terms, or at all, which could have a material adverse effect on the Group's business, financial condition and results of operations.

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

Certain of the Group's infrastructure development and some other projects last for long time before completion. The contracts between the Group and its customers usually allow the latter to make payments by instalments, in accordance with project milestones. However, the Group incurs costs associated with projects, such as materials, equipment and labour costs, on an ongoing basis, and thus bears expenditures itself before receipt of payments.

Delays in progress payments by customers may increase the Group's working capital needs. Customers of the Group's construction projects are primarily local governments, some of which have been spending and borrowing heavily over the recent years. Defaults in payments to the Group by its customers could materially and adversely affect the Group's financial condition and results of operations. The Group may file a claim for compensation of losses, but settlement of disputes generally takes time and other resources, and the outcome is often uncertain. As at 31 December 2016, there has been no delays or defaults that has materially adversely affected the Group. However, there is no assurance that the Group will continue to receive progress payments from its customers on a timely basis, or at all, which may have a material and adverse effect on the Group's business, financial conditions and results of operations.

The Group may be unable to accurately estimate or control its costs or the scope of work that it is required to perform, which may change for reasons beyond its control.

The Group is required, under the relevant contracts, to complete a project for a fixed price which is settled prior to commencement of the work. The Group's cost estimates for project completion are subject to a number of assumptions, including future economic conditions, actual cost and availability of labour and raw materials and subcontractors' performance. These assumptions may prove to be substantially different from the original estimates. Fixed price contracts also involve other variables and risks including delays caused by failures to fulfil construction conditions or site preparation as scheduled, inclement weather, geological or maritime issues, technical issues and failure to obtain requisite permits and approvals. Cost overruns can result in lower profits or a loss on a project, and therefore may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, from time to time, the Group may need to perform extra work or work due to change of design for non-technical reasons after the design plan is confirmed. This may result in disputes over whether the work performed is beyond the scope of work in the original project specifications, or over what price the customer should pay for the extra work. Even when the client agrees to pay for the work, the Group may be required to advance the cost of such work for a lengthy period of time until the design change is approved and funded by the project owner. In addition, any delay caused by the extra work may impact the progress of the Group's projects and its ability to meet specific project milestones. The Group may also incur costs due to design changes not approved by the project owner or contract disputes. There is no assurance that the Group will be able to recover the cost of the work in full or at all, which may lead to business disputes, or may otherwise adversely affect the Group's business, financial condition, results of operations and prospects. Moreover, the performance of the work may cause delays in the Group's other project commitments and may have a negative impact on its ability to meet the specified deadlines of other projects.

On the other hand, certain of the Group's contracts may also include price adjustment clauses, which permit the Group to negotiate with project owners or clients for compensation under certain circumstances, such as a change in laws, regulations and policies that affect the contract price or price adjustments announced by the authorities overseeing costs. However, even for contracts that contain price adjustment clauses, the Group is generally required to bear a portion of the increased costs. There is no assurance that the Group will be able to recover the costs arising from change in scope of work caused by a project owner. This may lead to business disputes and may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group may not be able to successfully manage its growth.

The Group consists of a number of companies in various industries. As the Group continues to grow, its operations will become more widespread and diversified. The Group, in order to improve operation results and prevent non-compliance, may face increasing challenges to operate and monitor its different business segments. The Group may need to continue to improve its managerial, technical, operational and other abilities, and to implement an effective management and internal control system, which may require additional sources. Moreover, the Group, may encounter capital constraints, construction delays, operational difficulties and lack of enough skilled personnel during its expansion. Failure of the Group to implement its expansion plans in a timely manner could adversely affect its ability to maintain and increase its profitability, which could have a material adverse effect on its business, financial condition, operating results and prospects.

The Group's failure to attract and retain key management members could adversely affect its ability to manage business.

The Group depends on the experience and expertise of the key members of its management team. The Group relies on its own ability to identify, hire and retain qualified personnel for its different business segments. However, the Group faces intense competition for qualified personnel from large state-owned enterprises, private local companies and international companies. While the Group attempts to provide competitive compensation packages to attract and retain key management members, many of its competitors may have greater resources and more experience than the Group, making it difficult for the Group to compete successfully for personnel retention and new hires. The Group's failure to attract and retain key management members could materially adversely affect its results of operations and prospects. Loss of key management members could materially and adversely affect the Group's ability to manage its business.

If the Group fails to maintain effective internal controls and sound corporate governance, its business, financial condition, results of operations and reputation could be materially and adversely affected.

The Group has implemented various measures to improve and optimise its internal controls and corporate governance. The Company has a supervisory committee consisting of two members, one of whom was appointed by the Yinchuan SASAC. The Group established an internal system to enhance information confidentiality and employee training. However, the Group's internal control system may have deficiencies and there is no assurance that all such measures can be effective. The Group's efforts to improve and optimise its internal controls and corporate governance require increased costs and significant management time and commitment. If the Group fails to maintain effective internal controls and corporate governance, its business, financial condition, results of operations and reputation could be materially and adversely affected.

The Group strives to implement its internal control measures, corporate governance and operational and safety standards to its subsidiaries and affiliated companies in a uniform manner. However, given the large number of the Group's subsidiaries, it may be difficult to implement internal control measures, corporate governance and operational and safety standards to its subsidiaries and affiliated companies. There is no assurance that the Group can effectively monitor each subsidiary and affiliated company and prevent non-compliance. Failure to do so may result in violations of local regulations, which may materially and adversely affect its business, financial condition, results of operations and prospects.

The Group's insurance coverage may not adequately protect it against all operating risks.

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

- potential losses, destruction or damage with respect to the Group's infrastructure construction projects before their delivery;
- operation interruptions due to regulatory measures, operational errors, electricity outages, raw material shortages, equipment failure and others;
- tortious acts or work-related personal injuries;
- on-site production accidents;
- credit risks relating to the its customers and other contractual third parties;
- disruptions in the global capital markets and the economy;

- loss in investments;
- environmental accidents; and
- catastrophic events such as fires, earthquakes, explosions, floods or other natural disasters.

The Group maintains insurance policies in line with general practices of the relevant industries in the PRC, with policy specifications and insured limits which the Group believes are adequate. There are, however, certain types of losses (such as losses from wars, acts of terrorism or acts of God, business interruption, property risks and third party (public) liability) generally not insured because they are either uninsurable or not economically insurable. To the extent that the Group suffers loss or damage that is not covered by insurance or that exceeds the limit of its insurance coverage, the Group's results of operations and cash flow may be materially and adversely affected. The Group cannot assure you that the Group will not be sued or held liable for damages due to any tortious acts or other events for which insurance is not generally available on commercially practical terms. Therefore, while the Group believes that its practice is in line with the general practice in the PRC infrastructure construction development industries, there may be instances when the Group will have to internalise losses, damage and liabilities because of the Group's lack of insurance coverage. If the Group suffer any losses, damages or liabilities in the course of the Group's business operations, the Group may not have sufficient funds to cover such losses, damages or liabilities or to replace any property under development that has been destroyed. Any such events could have a material adverse effect on the Group's business, financial condition and results of operations.

Labour shortages, Labour disputes or increases of labour costs could materially and adversely affect the Group's business and results of operations.

The Group's primary business, such as infrastructure construction, water supply, public transportation, gas supply and bookstore operation, are labour intensive. The Group employs a lot of labours for its projects. Industrial action or other labour unrest, which are beyond the Group's foreseeability or control, could directly or indirectly prevent or hinder normal operating activities, and, if not resolved in a timely manner, could lead to delays in completion of the Group's projects and affecting the Group's business. There is no assurance that labour unrest will not affect general labour market or result in changes to labour laws. In recent years, work stoppages, employee suicide and other similar events in certain cities in the PRC have caused the PRC Government to amend labour laws to enhance protection of employees' rights. In addition, the increasing minimum wages and awareness of labour protection also increase labour costs afforded by the PRC enterprises. There is no assurance that the Group will be able to pass on such increases to its customers, as a majority of the Group's customers are local governments. Failure to do so may materially and adversely affect the Group's business, financial condition and results of operations.

The Group is subject to litigation risks and may face significant liabilities as a result.

The Group may from time to time involve in disputes with government authorities, incumbent residents, contractors, suppliers, employees and other third party service providers during the course of its daily operations. Claims may be brought against the Group for defective or incomplete work, personal injuries, damage to or destruction of property, breaches of warranty, delay in delivery and late completion of the project. If the Group were found liable for any of the project claims against it, its business, financial condition and results of operations could be materially and adversely affected to the extent the claims were not sufficiently covered by its insurance coverage.

Claims brought against the Group and by it, if not resolved through negotiation, may be subject to lengthy and expensive litigation or arbitration proceedings. Amounts ultimately realised from claims by the Group could differ materially from the balances included in its financial statements, resulting in a charge against earnings to the extent profit has already been accrued on a project contract. Charges associated with claims brought against the Group and write downs associated with claims brought by the Group could have a material adverse impact on its financial condition, results of operations and cash flow.

The PRC regulatory framework governing the incurrence of financial obligations and indebtedness by local governments and local government financing vehicles is undergoing significant change, and may materially and adversely impact the ability of the Group to conduct its business as presently conducted, significantly increase operating or compliance costs of the Group, or may otherwise materially and adversely affect the business, prospects, financial condition and results of operations of the Group.

There have been recent and major developments in laws and regulations promulgated by the PRC government with respect to the incurrence of financial indebtedness by local governments and local government financing vehicles, including the provision of security or guarantees by local governments for the debt obligations of local government financing vehicles. The laws and regulations governing the issuance of debt and guarantees by local governments, local government financing vehicles and other state-owned or controlled enterprises is in a state of flux, are expected to continue to evolve in the near to mid-term, and are likely to restrict or further define the circumstances in which local governments and their controlled entities are able to issue public debt, or government-guaranteed debt.

In June 2010, the State Council of the PRC issued 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**"), which provides that local governments shall be required to settle the debts of their respective financing platforms. In November 2010, the General Office of the NDRC issued the Notice on Further Regulating Issuance of Notes by Local Government Financing Vehicles (國家發展改革委辦公廳關於進一步規範地方政府投融資平台公司發行債券行為有關問題的通知) ("**Circular 2881**"), which provides that the financing vehicles of a local government shall rely on its internal operating cash flow to finance the payment of more than 70% of the cash requirement for repaying interest and principal on notes issued in the PRC. Where revenues earned from the construction of public interest projects by a local government financing vehicle represent more than 30% of its aggregate revenues, such local government financing vehicle shall be required to submit as part of its application to the relevant governmental authorities for the relevant approval to issue domestic notes, information on the total amount of indebtedness incurred and/or payable by the relevant local government, as well as information supporting the government's ability to repay such indebtedness (including for such purposes, indebtedness to be incurred pursuant to the proposed domestic notes issuance). In addition, Circular 2881 specifies additional requirements applicable to the provisions of Circular 19 restricting the granting of security interests over state-owned assets by local governments to secure indebtedness incurred by its local government financing vehicles.

In September 2014, the State Council of the PRC released the Opinion on Strengthening the Administration of Local Government Indebtedness (關於加強地方政府性債務管理的意見) ("**Circular 43**"), which provides that local government financing vehicles such as the Group are no longer permitted to function as the financing arm of the relevant local government, to incur indebtedness that would be characterized as local government debt (being debt that is subject to any payment undertakings or is otherwise guaranteed by the local government), and should operate and obtain financing on commercial terms as corporate borrowers. As a result, the Group's financing model, business model and business scope may be impacted, which may in turn materially and adversely affect the Group's results of operations and financial condition. Circular 43 distinguishes between non-income generating development projects and income generating development projects, and permits local governments to issue government bonds in order to finance non-income generating development projects, such as the construction of public roads and toll-free highways. Projects for the development of income-generating assets should be developed using special purpose vehicles and financing should obtained through private investment and indebtedness incurred for the purposes of financing such projects should not be guaranteed by the local government. Since the release of Circular 43, certain debts of local government financing vehicles have been classified as non-government debt. However, the classification of indebtedness of local government financing vehicles as non-government debt is determined by the relevant local government and accordingly, the interpretation and application of Circular 43 by the various local governments may not be consistent.

Circular 43 also sets forth the general principles of dealing with existing debts of local financing platforms. In 2014, the local counterparts of Ministry of Finance began an audit on the existing debts of the financing vehicles of local governments whereby the existing debts of the financing vehicles reported by the local governments were to be classified into four categories, namely (i) debts that shall be repaid with funds of the local governments (the "**First Type of Borrowings**"), (ii) debts that are guaranteed by the local governments (the "**Second Type of Borrowings**"), (iii) debts that may be repaid by the local governments with public funds at its option when the borrowing financing vehicles are not able to repay (the "**Third Type of Borrowings**"); and (iv) debts that will not be repaid or financed with the funds of the local governments (the "**Fourth Type of Borrowings**"). For the Group's debts that are classified as the Third Type of Borrowings, the Group would be exposed to the risk of non-performance by the Yinchuan Municipal Government to provide financing to the Group when the Group is unable to repay its borrowings that have become due, which is beyond the Group's control. Failure by the Yinchuan Municipal Government to identify or approve all or any portion of such debts to be repaid with local government public funds, or to honor its undertaking to provide sufficient funding for the Group to fulfil its payment obligations may cause the Group to default under the relevant indebtedness which in turn may have a material adverse effect on its overall financial condition, debt-repayment ability and results of operations. For the avoidance of doubt, as confirmed by the Issuer, Circular 43 is not applicable to the Bonds and the Yinchuan Municipal Government has no obligation to repay any amount under the Bonds. Investment in the Bonds is relying solely on the credit risk of the Issuer. In the event the Issuer does not fulfil its obligations under the Bonds, investors will only be able to claim as an unsecured creditor against the Issuer, and not any other person including the Yinchuan Municipal Government.

In April 2017, the MOF, the NDRC, the Ministry of Justice of the PRC, the PBOC and the CBRC and the CSRC jointly promulgated Notice on Further Regulating Local Governments' Loaning and Financing Activities（關於進一步規範地方政府舉債融資行為的通知）("**Circular 50**"), which preserves the principal of Circular 43, and further makes clear the legality of governments' financing activities. To further optimize the information disclosure mechanism, when carrying out debt financing at home and abroad, the local government financing vehicles shall voluntarily make a written declaration to the creditor on their non-performing governmental financing function and clarify that their new debts occurred since 1 January 2015 shall not belong to local governmental debts. Besides, Circular 50 provides that the MOF shall work with the NDRC, the PBOC, the CBRC and CSRC to construct Big Data monitoring platforms to implement departmental information sharing and data verification of the expenditure of the governments and financing activities of the local government financing vehicles, as well as to jointly penalize the illegal financing activities.

The issuance of Circular 463 in December 2012 and the Decision in August 2016 has had, and is expected to have, significant impact on the way in which the Group conducts its businesses and the business models adopted by the Group in its business segments. Going forward, there may also be future developments in PRC laws and regulations, or the interpretation of existing laws and regulations, that may materially impact the way in which local government financing vehicles such as the Group carry on their businesses and operations. Given the evolving nature of the regulatory developments in this area, there is considerable legal uncertainty that the Group will be able to continue operating based on its present business model, or will be able to secure financing for its operations and projects at rates previously enjoyed, if at all. The ongoing nature of developments in this area has also resulted in there being little precedent on the interpretation of such laws and regulations by the relevant authorities. Any new laws and regulations, or changes in the interpretation of existing laws and regulations, may materially and adversely affect the Group's business, prospects, profitability, financial condition and results of operations or may result in the Group incurring significant compliance costs.

The Group's businesses may be affected by an outbreak, or threatened outbreak, of any severe contagious disease and occurrence of natural disasters which may in turn significantly reduce demand for the Group's services and have an adverse effect on its financial condition and results of operations.

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

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

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

The Group's business is sensitive to global economic conditions, for which a severe or prolonged downturn would materially and adversely affect the Group.

Recent global market and economic conditions have been challenging in light of tight credit conditions and economic stagnation or recession at various periods for many major economies. Since early 2008, the global financial markets have been affected by a general slowdown in global economic growth, substantial volatility in global securities markets, and volatility and tightening of liquidity in global credit markets. In August 2011, S&P downgraded the rating for long-term United States debt to "AA+" from "AAA" for the first time in 70 years. In March 2012, the PRC government cut its forecast for China's GDP growth rate for 2012 to below 8% for the first time in the past eight years, which gave rise to more worries about the health and sustainable growth of the PRC economy. In 2014, China's GDP growth slowed to 7.4%, on a year-on-year basis, which was the lowest in the past 15 years. In addition, the PRC government has promulgated a series of policies and measures to control the overheating property market and inflation of property prices in the PRC in recent years These and related events, coupled with the continued economic turmoil in Europe and other parts of the world, has slowed the pace of the global economic recovery and could lead to another global economic downturn and financial market crisis. Continued concerns about the systemic impact of potential long-term and widespread recession, energy costs, geopolitical issues, the availability and cost of credit, and the global housing and mortgage markets have contributed to increased market volatility and diminished expectations for economic growth around the world. The outlook for the world economy and financial markets remains uncertain. In Europe, several countries are facing difficulties in refinancing sovereign debt. In the United States, the unemployment rate remains relatively high, and recovery in the housing market remains subdued. In addition, the U.S. Federal Reserve has been implementing a quantitative easing program whereby long-term interest rates have been kept low in order to stimulate the U.S. economy. The U.S. Federal Reserve has been tapering such quantitative easing and no assurance can be given as to how long such quantitative easing will continue. In December 2015, the U.S. Federal Reserve raised target federal funds rates by 0.25 percentage points for the first time since 2006. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. Furthermore, political unrest in Europe and the Middle East has also contributed to economic instability and uncertainty in recent years.

The economic outlook has negatively affected business and consumer confidence and contributed to significant levels of volatility. Global financial and economic uncertainty has affected and will continue to affect the domestic economy in the PRC. Any recurrence of a global financial crisis, which could potentially be sparked by the recent market volatility attributed to concerns over Greece and several other European countries, may cause a further slowdown in the PRC economy. Moreover, continued turbulence in the international markets and prolonged declines in consumer spending may continue to adversely impact home owners and potential property purchasers. While the PRC government and governments around the world have taken actions to address the global financial and economic crisis, there can be no assurance that these actions will be effective on an ongoing basis. There can be no assurance that the global financial and economic crisis will not reoccur, become more severe, or last longer than anticipated, or that the securities and credit markets will not remain volatile. Any such event could have a material adverse effect on the Group's business, financial condition and results of operations. The Group's plans to expand its business lines may not be successful. The Group's business focus and main source of revenue has historically been infrastructure construction development. More recently, the Group has expanded into other business segments to diversify its existing portfolio, namely commercial real estate development, property operation and management, and overseas property. There can be no assurance that the Group will be able to develop its newer business segments successfully and profitably. If the Group is unable to grow its other business segments as planned, there could be a material adverse effect on its business, financial condition and results of operations.

RISKS RELATING TO THE GROUP'S BUSINESSES

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

Some of the Group's infrastructure construction projects involve relocation of incumbent residents and local businesses, and the Group believes that similar situations may recur when it develops future projects. If any incumbent resident or business is dissatisfied with the relocation compensation and refuses to move, the relevant local government authorities may seek to resolve the dispute by negotiating with the relevant resident or business to reach a mutually acceptable relocation compensation arrangement, or apply to the relevant land authority for its determination on whether the relocation compensation and timetable are compliant with the PRC law. The relevant land authority will then make a decision as to the proper relocation compensation and timetable. There is no assurance that the relocation of incumbent residents or businesses will proceed smoothly or that the incumbent residents will agree to the compensation package. In addition, the amount of compensation to be paid is subject to PRC Governmental regulation and can be changed at any time. Accordingly, any delays in effecting such relocations of these incumbent residents or businesses may result in delays in the Group's development schedules and/or increase its development costs, any of which could have a material adverse effect on its business, financial condition and results of operations.

The Group may not be able to complete projects that the Group is currently developing or plans to develop according to schedule or on budget.

Infrastructure construction projects require substantial capital expenditures prior to and during the construction period, and it may be several years before these projects generate positive cash flow. The progress of, and costs for, a development project can be adversely affected by many factors, including:

- changes in market conditions, an economic downturn or a decline in consumer confidence;
- delays in obtaining necessary licences, permits or approvals from government agencies or authorities;
- relocation of incumbent residents and demolition of existing structures;
- increases in the market prices of raw materials if the Group cannot pass on the increased costs to customers;
- shortages of materials, equipment, contractors and skilled labour;
- latent soil or subsurface conditions and latent environmental damage requiring remediation;
- unforeseen engineering, design, environmental or geographical problems;
- labour disputes;
- construction accidents;
- natural disasters;
- adverse weather conditions;
- regulatory changes, inability to procure required government approvals or changes in industry practice; and
- other unforeseen problems or circumstances.

The rising cost of construction in the PRC may have a material and adverse effect on the Group's business, results of operation and financial condition. There can be no assurance that the Group will not experience construction delays or failure to complete an infrastructure construction project according to its planned schedule or budget as a result of the above or any other factors, or that the Group will not be subject to any liabilities for any such delays. Construction delays or failure to complete an infrastructure project according to its planned specifications, schedule or budget may also materially and adversely affect the Group's reputation, business, results of operations and financial condition.

Water shortages and restrictions on the use or supply of water could adversely affect the group's business.

In the event of water shortages, additional costs may be incurred in order to provide emergency reinforcement to supplies in areas of shortage which may adversely affect the Group's business, financial condition and results of operations. In addition, restrictions on the use or supply of water may adversely affect the Group's turnover and, in very extreme circumstances, may lead to significant compensation becoming due to customers because of interruptions to supply, both of which could adversely affect the Group's business, results of operations, profitability or financial condition.

Extensive regulations may adversely affect the Group's water supply business.

Revenue from the Group's water supply business consists primarily of tap water price payments. Adjustments to the tap water price are generally subject to approvals by the relevant government authorities in the PRC and applications for upward adjustments to the tap water price may usually be made in the case of increases in key operation costs. There is no assurance that in the event that there

is any increase in such key operation costs, the relevant government authorities will approve the Group's applications for increasing the tap water price to reflect such increase in costs. Furthermore, even if the relevant government authorities agree to increase the tap water price, there is no assurance that such increase will fully reflect the increase in the Group's actual costs. This will have an effect on the overall profit margin of the Group and could have a material adverse effect on the business, financial condition and results of operations of the Group's businesses.

The Group has a relatively high ratio of loss in the public transportation business but the group's ability to raise fares to cover the Group's operating costs could be limited.

For the years ended 31 December 2015 and 2016, the Group recorded a loss in its public transportation business approximately RMB114.4 million and RMB108.2 million respectively. The prices for the bus tickets are determined by the Yinchuan Municipal Government. The Group adopted a flat rate system with the current bus ticket of RMB1.0 per person per ride which reflects the characteristics of public utilities. Even the operating costs increased recently primary due to increases in fuel prices and labour costs, the ticket price has not been adjusted by the Yinchuan Municipal Government accordingly. Despite the heavy passenger flow on the Group's bus system every day, revenue from ticket sales is historically unable to recover the operating costs due to the low ticket price. However, based on the increased costs of the Group for its public transportation business, the Yinchuan Municipal Government would provide the financial subsidies to the Group to support its operations. There also can be no assurance that the Group will be entitled to such subsidies in future. The Group's limited ability to raise fares and a reduction or discontinuance of such subsidies may materially and adversely affect the Group's financial condition and results of operations.

Competition in Yinchuan from other forms of public and private transportation may adversely affect the Group

As a bus transportation operator in Yinchuan, the Group competes with other forms of public and private transportation available in the city, principally rail, taxis and private vehicles. The speed, reliability and comfort offered by bus transportation system in Yinchuan may be eroded by:

- the general improvement in rail services;
- the expanding rail network; and
- the increased ownership and usage of private vehicles.

Private vehicles and other forms of public transportation may cover more routes throughout Yinchuan and its vicinities and provide commuters with alternative access or more comfortable and convenient transportation services. There is no assurance that the Group will be able to compete with existing and new forms of transportation in respect of each of these factors, or at all. As a result, the Group expects increased competition from such public and private transportation providers, which may adversely affect the Group.

The Group is facing increasing competition from other renewable energy companies and conventional energy companies.

The PRC's gas supply industry is highly competitive. The Group competes with other gas supplier and also renewable energy companies and conventional energy companies for fuel, labour and capital required to develop and operate its power plants and projects. Some of the Group's competitors have access to greater financial, infrastructure or other resources than the Group. The ability of the Group's competitors to access resources that the Group cannot access may prevent the Group from acquiring additional land use rights or power plant projects in strategic locations or from increasing its generating capacity, each of which may materially and adversely affect its business, financial condition and results of operations.

Renewable and clean energy projects in the PRC, including wind, solar, hydro, biomass, geothermal and ocean power, benefit from various governmental incentives such as on-grid tariff premiums and dispatch priorities. If the PRC Government strengthens its support for other renewable energy projects, competition with other renewable and clean energy companies may intensify and the results of operations of the Group may be adversely affected if the Group fails to compete successfully.

The Group also competes with oil, coal and other conventional energy companies. Any technological progress in the exploitation of other energy sources or discovery of large deposits of oil or coal, resulting in a decline in the price of those fuels, could increase the competitiveness of power generated from conventional sources. A reduction in demand for renewable energy could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group faces the risk of disruption of supplier relationships and/or supply chain.

The products that the Group sells originate from a wide variety of suppliers. For the years ended 31 December 2015 and 2016, purchases from our five largest suppliers accounted for 23.33% and 7.63%, respectively of our total purchases of books and audio-visual products, with the largest supplier accounting for approximately 5.0% and 2.8% respectively of the Group's merchandise purchased for bookstore operation. While we believe that our relationships with the Group's suppliers are good, suppliers may modify the terms of these relationships due to general economic conditions or otherwise.

The Group generally enters into one-year supply contracts with the Group's suppliers and negotiate for new contracts prior to expiration. If the Group's current suppliers were to stop selling books and audio-visual products to us on acceptable terms, including as a result of one or more supplier bankruptcies due to poor economic conditions, the Group may be unable to procure the same books and audio-visual products from other suppliers in a timely and efficient manner and on acceptable terms, or at all.

A significant disruption in this industry generally or a significant unfavourable change in the Group's relationships with key suppliers could adversely impact our business. In addition, any significant change in the terms that the Group has with the Group's key suppliers including, payment terms, return policies or the discount or margin on books and audio-visual products, could adversely affect our financial condition and liquidity. Furthermore, certain of the Group's books and audio-visual products is sourced indirectly from outside the PRC. Political or financial instability, merchandise quality issues, product safety concerns, trade restrictions, work stoppages, tariffs, foreign currency exchange rates, transportation capacity and costs, inflation, civil unrest, natural disasters, outbreaks of pandemics and other factors relating to foreign trade are beyond the Group's control and could disrupt the Group's supply of foreign sourced merchandise.

The Group's business materially depends on our "Xinhua" brand, and if the Group is not able to maintain and enhance its brand to maintain its competitive advantages, its reputation, business and operating results may be harmed.

The Group believes that market awareness of the Group's brand "Xinhua" has contributed significantly to the success of its business. The Group also believes that maintaining and enhancing the "Xinhua" brand is critical to maintaining the Group's competitive advantages. As the Group continues to grow in size, expand the Group's products and extend its geographic reach, maintaining quality and consistency may be more difficult to achieve.

The Group has developed its customer base primarily by word-of-mouth referrals and has incurred brand promotion expenses over the years, but it can't be assured that the Group's marketing efforts will be successful in further promoting the Group's brand to remain competitive. If the Group is unable to further enhance our brand recognition and increase awareness of our products, or if the Group's incurs excessive marketing and promotion expenses, the Group's business and results of operations may be materially and adversely affected.

The Group may not be able to maintain or improve our competitive position because of strong competition in the security and surveillance industry.

The PRC security and surveillance industry is highly competitive. Though the Group is are the largest secured transport service provider in Ningxia, covering approximately 60.0 per cents of the total market share in secured transport service, the Group faces competition from domestic and international competitors. Some of the Group's competitors outside of Ningxia and our international competitors are larger than us and possess greater name recognition, assets, personnel, sales and financial resources. These entities may be able to respond more quickly to changing market conditions by developing new products and services that meet customer requirements or are otherwise superior to ours and may be able to more effectively market their services than the Group can because they have significantly greater financial, technical and marketing resources than the Group does. They may also be able to devote greater resources than the Group can to the promotion and sale of their service. Increased competition could require us to reduce the Group's prices, result in the Group receiving fewer customer orders, and result in the Group's loss of market share. The Group cannot make assurances that the Group will be able to distinguish the Group in a competitive market. To the extent that the Group is unable to successfully compete against existing and future competitors, the Group's business, operating results and financial condition could be materially adversely affected.

The Group's real property business is dependent on the performance of the PRC property market.

The Group's real property business is dependent on the performance of the PRC property market. Since the late 1990s, private residential property prices and the number of residential property development projects have gradually increased in major cities in the PRC as a result of an increase in demand driven by domestic economic growth. In particular, prices of residential properties in certain major PRC cities such as Beijing, Shanghai, Guangzhou and Shenzhen have experienced rapid and significant growth. In recent years however, risk of real estate over-supply is increasing in parts of the PRC, where real estate investment, trading and speculation have become overly active. In the event of actual or perceived real estate over-supply in the PRC, together with the effect of government policies to dampen the real estate market, real estate prices may fall significantly which would adversely affect the Group's revenue and results of operations.

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

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

RISKS RELATING TO THE PRC

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

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

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

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

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

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

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

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

As substantially all of the Group's business are conducted, and substantially all of the Group's assets are located, in the PRC, the Group's operations are governed 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 Bonds.

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

The Issuer and a number of the Group's subsidiaries are incorporated in the PRC. A substantial portion of the Group's assets are located in the PRC. In addition, most of the Issuer's directors, supervisors and executive officers reside within the PRC and the assets of the Group's directors and officers may be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of the Group's directors, supervisors and senior management, including for matters arising under applicable securities law. A judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with China or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. However, China does not have treaties providing for the reciprocal recognition and enforcement of 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.

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

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

Future fluctuations in foreign exchange rates may adversely affect our business, financial condition and results of operations.

The exchange rate of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in the political and economic conditions in China and globally and the PRC government's fiscal and currency policies. Since 1994, the conversion of the Renminbi into foreign currencies, including the U.S. dollar, has been based on rates set daily by the PBOC, based on the previous business day's inter-bank foreign exchange market rates and exchange rates in global financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of the Renminbi to U.S. dollar was generally stable. On July 21, 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies. The floating band was widened from 0.5% to 1.0% on April 16, 2012 and 2.0% on March 17, 2014, in order to further improve the managed floating Renminbi exchange rate regime based on market supply and demand with reference to a basket of currencies. Since August 11, 2015, PBOC requires market makers to quote, on a daily basis, their central parity rates for Renminbi against the U.S. dollar to the China Foreign Exchange Trade System before the market opens by reference to the closing rate of the PRC inter-bank foreign exchange market on the previous trading day in conjunction with the demand and supply conditions in the foreign exchange markets and exchange rate movements of major currencies. The mid-point price of Renminbi to the U.S. dollar depreciated by approximately 4.71% from August 10, 2015 to August 27, 2015 and continued to depreciate with fluctuations since April 2016. In addition, the PBOC has further authorised the China Foreign Exchange Trade System to announce its central parity rate for Renminbi against the U.S. dollar through a weighted averaging of the quotes from the market makers after removing the highest quote and the lowest quote. The International Monetary Fund announced on September 30, 2016 that the Renminbi joins its Special Drawing Rights currency basket. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against U.S. dollar. We cannot assure you that the Renminbi will not experience significant fluctuation against the U.S. dollar in the future.

We conduct all of our business operations in the PRC and our revenue is denominated in Renminbi. However, the payment of the principal and interests on the Bonds will be in U.S. dollar. As a result, fluctuations in exchange rates, particularly between the Renminbi and the U.S. dollar, could affect our profitability and may result in foreign currency exchange losses of our foreign currency-denominated assets and liabilities. Any depreciation of Renminbi may adversely affect the value of our net assets and earnings in foreign currency terms, as well as our ability to service our foreign currency obligations including the payment of the principal and interests on the Bonds.

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

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

RISKS RELATING TO THE BONDS

The Bonds are unsecured obligations.

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

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

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

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

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

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

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;

- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible economic scenarios, such as interest rate and other factors which may affect its investment and the ability to bear the applicable risks.

An active trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. Although an application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds on the Hong Kong Stock Exchange, no assurance can be given that such application will be approved, or even if the Bonds become so listed, an active trading market for the Bonds will develop or be sustained. No assurance can be given as to the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds or that a liquid market will develop. The liquidity of the Bonds will be adversely affected if the Bonds are held or allocated to limited investors. The Sole Global Coordinator and the Joint Lead Managers and Joint Bookrunners are not obligated to make a market in the Bonds, and if the Sole Global Coordinator or the Joint Lead Managers and Joint Bookrunners do so, they may discontinue such market making activity at any time at their sole discretion. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

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

The Bonds are denominated and payable in U.S. dollars. An investor who measures investment returns by reference to a currency other than U.S. dollars would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to, among other things, economic, political and other factors over which the Group has no control. Depreciation of the U.S. dollars against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

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

The Bonds will carry fixed interest rates. Consequently, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. If Bondholders sell the Bonds they hold before the maturity of such Bonds, they may receive an offer less than their investment.

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

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

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

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

The Group may be unable to redeem the Bonds.

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

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

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

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

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

The Issuer is incorporated under the laws of the PRC. Any bankruptcy proceeding relating to the Issuer would likely involve PRC bankruptcy laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

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

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

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

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

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

The Terms and Conditions and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned（關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排）, 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 Bonds will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holder's ability to initiate a claim outside of Hong Kong will be limited.

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

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

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

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

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

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

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

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

While the Bonds are represented by the Global Bond Certificate, the Issuer will discharge its payment obligations under the Bonds by making payments to the common depositary for Euroclear and Clearstream for distribution to their account holders. A holder of a beneficial interest in a Global Bond

Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Bond Certificate.

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

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

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

Pursuant to the EIT Law, the PRC Individual Income Tax Law (the "**IIT Law**") which took effect on 30 June 2011, and the implementation regulations in relation to both the EIT Law and IIT Law, PRC income tax at a rate of 10 per cent. or 20 per cent. is normally applicable to PRC-source income derived by non-resident enterprises or individuals respectively, subject to adjustment by applicable treaty. As the Issuer is a PRC resident enterprise for tax purposes, interest paid to non-resident Bondholders may be regarded as PRC-sourced, and therefore be subject to PRC income tax at a rate of 10 per cent. for non-resident enterprise Bondholders and at a rate of 20 per cent. for nonresident individual Bondholders (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, 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. Pursuant to the Interim Regulation of the PRC on City Maintenance and Construction Tax (中華人民共和國城市維護建設稅暫行條例(2011年修訂)), the Interim Provisions on the Collection of Educational Surcharges (徵收教育費附加的暫行規定(2011年修訂) and the Administrative Measures on the Collection and Utilisation of Local Educational Surcharges in Ningxia Hui Autonomous Region (寧夏回族自治區地方教育費徵收使用管理辦法), city maintenance and construction tax, educational surcharges and local educational surcharges will be applicable when the entities and individuals are obliged to pay VAT. The Issuer will be obligated to withhold VAT of 6% and certain surcharges on VAT for payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-resident enterprises or individuals. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 and laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

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

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

Although pursuant to the Terms and Conditions, the Issuer is required to gross up payments on account of any such withholding taxes or deductions (whether by way of enterprise income tax ("**EIT**"), business tax, VAT or otherwise), the Issuer also has the right to redeem the Bonds at any time in the event it has or will become obliged to pay Additional Amounts (as defined in Terms and Conditions), as further described in Condition 7 of the Terms and Conditions.

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

Certain of our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries.

As a holding company, we depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations, including our obligations under the Bonds. The ability of our subsidiaries 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 our subsidiaries, restrictions contained in the financing facilities entered into by our subsidiaries and applicable laws. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to us to make payments on the Bonds. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Bonds.

The Group may issue additional Bonds in the future.

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

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

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

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

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

USE OF PROCEEDS

The net proceeds of the issue of the Bonds, after deducting the fees and other expenses in connection with the issue of the Bonds, will be approximately U.S.$292,413,000, which will be used for general corporate purposes including the development of Yinchuan Binhe New Industrial Zone.

EXCHANGE RATES

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

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

	Renminbi per U.S. Dollar Noon Buying Rate[(1)]			
Period	**End**	**Average[(2)]**	**High**	**Low**
	(CNY per U.S.$1.00)			
2009	6.8259	6.8295	6.8470	6.8176
2010	6.6000	6.7603	6.8330	6.6000
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2301	6.3088	6.3879	6.2221
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6549	6.9580	6.4480
September	6.6685	6.6702	6.6790	6.6600
October	6.7735	6.7303	6.7819	6.6685
November	6.8837	6.8402	6.9195	6.7534
December	6.9430	6.9198	6.9580	6.8771
2017				
January	6.8768	6.8907	6.9575	6.8360
February	6.8665	6.8694	6.8821	6.8517
March	6.8832	6.8940	6.9132	6.8687
April	6.8900	6.8876	6.8988	6.8778
May	6.8098	6.8843	6.9060	6.8098
June	6.7793	6.8066	6.8382	6.7793

(1) Exchange rates between Renminbi and U.S. dollar represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.

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

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Group's capitalisation as at 31 December 2016 and as adjusted to give effect to the aggregate principal amount of the Bonds and the receipt of the gross proceeds thereof. Investors should read this table in conjunction with the Group's consolidated financial statements and related notes included elsewhere in this Offering Circular.

	As at 31 December 2016			
	Actual		As adjusted	
	(RMB in millions)	(U.S.$ in millions)[1]	(RMB in millions)	(U.S.$ in millions)[1]
	(audited)		(unaudited)	
Short-term indebtedness				
Short-term borrowings	1,010.0	145.5	1,010.0	145.5
Long-term borrowings due within one year	484.1	69.7	484.1	69.7
Bonds payable due within one year	1,864.8	268.6	1,864.8	268.6
Short-term commercial paper	50.0	7.2	50.0	7.2
Total short-term indebtedness	3,408.9	491.0	3,408.9	491.0
Long-term indebtedness				
Long-term loans	3,190.6	459.5	3,190.6	459.5
Bonds payable	7,623.1	1,098.0	7,623.1	1,098.0
Bonds to be issued[2]	–	–	2.082.9	300.0
Total long-term indebtedness	10,813.7	1,557.5	12,896.6	1,857.5
Total indebtedness[3]	14,222.6	2,048.5	16,305.5	2,348.5
Equity				
Total owners' equity attributable to parent company	19,628.8	2,827.1	19,628.8	2,827.1
Minority interest	1,745.9	251.5	1,745.9	251.5
Total owners' equity	21,374.7	3,078.6	21,374.7	3,078.6
Total capitalisation[4]	35,597.3	5,127.1	37,680.2	5,427.1

(1) U.S. dollar translations are provided for indicative purposes only and are unaudited. These translations were calculated based on an exchange rate of RMB6.9430 to US$1.00 on 30 December 2016 as set forth in the H.10 statistical release of the Federal Reserve Board.

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

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

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

There has been no material change in the capitalisation and indebtedness of the Issuer since 31 December 2016.

TERMS AND CONDITIONS OF THE BONDS

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

The U.S.$300,000,000 3.50 per cent. Bonds due 2020 (the "**Bonds**", which expression includes any further bonds issued pursuant to Condition 14 (*Further issues*) and forming a single series therewith) of Yinchuan Tonglian Capital Investment Operation Co., Ltd.(銀川通聯資本投資運營有限公司)(the "**Issuer**") are constituted by, are subject to, and have the benefit of, a trust deed dated on or about 27 July 2017 (as amended, restated, replaced or supplemented from time to time, the "**Trust Deed**") between the Issuer and The Bank of New York Mellon, London Branch as trustee (the "**Trustee**", which expression includes all persons for the time being acting as trustee or trustees under the Trust Deed) and are subject to an agency agreement dated on or about 27 July 2017 (as amended, restated, replaced or supplemented from time to time, the "**Agency Agreement**") between the Issuer, The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Bonds), The Bank of New York Mellon, London Branch as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Bonds), The Bank of New York Mellon SA/NV, Luxembourg Branch as transfer agent (the "**Transfer Agent**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Bonds), the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Bonds) and the Trustee. References herein to the "**Agents**" are to the Registrar, the Principal Paying Agent, the Transfer Agent and the Paying Agents and any reference to an "**Agent**" is to any one of them. Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and subject to their detailed provisions. The Bondholders (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. Unless otherwise defined, terms used in these Conditions have the meaning specified in the Trust Deed. Copies of the Trust Deed and the Agency Agreement are available for inspection by Bondholders during normal business hours at the registered office for the time being of the Trustee, being at the date hereof Canada Square, London E14 5AL, United Kingdom and at the Specified Office (as defined in the Agency Agreement) of the Principal Paying Agent, the initial Specified Office of which is set out below.

1. Form, Denomination and Status

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

(b) *Status of the Bonds*: The Bonds constitute direct, general and (subject to Condition 3(a) (*Negative Pledge*) unsecured 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 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 Bonds will be evidenced by a global certificate (the "**Global Certificate**") substantially in the form scheduled to the Trust Deed. The Global Certificate will be registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"), and will be exchangeable for individual Certificates (as defined below) only in the circumstances set out therein.*

2. Register, Title and Transfers

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

(b) *Title*: The Holder of each Bond shall (except as ordered by a court of competent jurisdiction or otherwise required by law) be treated as the absolute owner of such Bond for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Bonds or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

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

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

(d) *Registration and delivery of Certificates*: Within seven business days of the receipt of a duly completed form of transfer and the surrender of a Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Certificate of a like principal amount to the Bonds transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of the 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 Transfer Agent has its Specified Office.

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

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

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

3. Covenants

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

(ii) *Notification to NDRC*: The Issuer undertakes to file or cause to be filed with the NDRC (within 10 PRC Business Days after the Issue Date (as defined in Condition 4 (*Interest*)) the requisite information and documents in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations(國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015] 2044 號)) issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**")). The Issuer shall complete the NDRC Post-issue Filing and provide such document(s) evidencing due filing with the NDRC within the prescribed timeframe and shall comply with all applicable PRC laws and regulations in connection with the Bonds (including without limitation, not to issue any further bond in accordance with Condition 14 (Further Issuance) outside the PRC in excess of U.S.$300,00,000 pursuant to or in connection with the Enterprise Foreign Debt Pre-Issuance Registration Certificate(企業發行外債備案登記證明) from NDRC dated 7 November 2016. The Trustee shall have no duty to monitor or ensure the completion of the NDRC Post-issue Filing on or before the deadline referred to above or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issue Filing or any translation or certification thereof or to give notice to the Bondholders confirming the completion of the NDRC Post-issue Filing, and shall not be liable to any Bondholders or any other persons for any of the foregoing and for not doing so.

(c) *SAFE Registration*: The Issuer undertakes that it shall (i) within 15 PRC Business Days after the Issue Date, register or cause to be registered with SAFE the Bonds in accordance with, the Administrative Measures for Foreign Debt Registration and its operating guidelines, effective as of 13 May 2013 (the "**Foreign Debt Registration**"), (ii) complete the Foreign Debt Registration and obtain a registration record from SAFE on or before the Registration Deadline, and (iii) comply with all applicable PRC laws and regulations in relation to the Bonds.

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

(i) a certificate in English signed by a director who is also an authorised signatory of the Issuer confirming (A) completion of the Foreign Debt Registration, (B) no Change of Control, Event of Default or any event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfillment of any other requirement provided for in Condition 8 (*Events of Default*) become any Event of Default has occurred; and (C) the submission of the NDRC Post-issue Filing; and

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

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

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

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

(ii) a copy of the Audited Financial Reports within 120 days of the end of each Relevant Period prepared in accordance with PRC GAAP (audited by a nationally recognised firm of independent accountants); and

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

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

Reports and accounts referred to in this Condition 3(d) which are not in the English language shall be provided to the Trustee together with an English translation of the same translated by (x) a nationally recognised firm of independent accountants or (y) a professional translation service provider and checked by a nationally recognised firm of independent accountants, together with a certificate in English signed by one director of the Issuer certifying that such translation is complete and accurate.

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

In these Conditions:

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

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

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

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

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

(a) any obligation to purchase such indebtedness;

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

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

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

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

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

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

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

"**PRC Business Day**" means a day on which commercial banks are open for business in the PRC;

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

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

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

"**Relevant Indebtedness**" means any indebtedness incurred outside the PRC which is in the form of or represented or evidenced by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which for the time being is, or is intended to be or capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"**Relevant Period**" means:

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

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

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

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

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

(a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

(b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

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

4. Interest

The Bonds bear interest from and including 27 July 2017 (the "**Issue Date**") at the rate of 3.50 per cent. per annum, (the "**Rate of Interest**") payable semi-annually in arrear on 27 January and 27 July in each year (each, an "**Interest Payment Date**"), subject as provided in Condition 6 (*Payments*).

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

The amount of interest payable on each Interest Payment Date shall be U.S.$17.5 in respect of each U.S.$1,000 (the "Calculation Amount") principal amount of the Bonds. If interest is required to be paid in respect of a Bond on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant day-count fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

If interest is required to be calculated for a period of 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 Bonds will be redeemed at their principal amount on 27 July 2020, subject as provided in Condition 6 (*Payments*).

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

(i) the Issuer has or will become obliged to pay Additional Amounts (as defined in Condition 7 (*Taxation*)) as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 18 July 2017; and

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

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

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

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

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

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

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

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

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

In this Condition 5(d):

a "**Change of Control**" occurs when the Controlling Person ceases to have Control of the Issuer or its successor entity;

"**Control**" means (where applicable) (i) the ownership, acquisition or control of not less than 100 per cent. of the voting rights of the issued share capital of the person concerned, whether obtained directly or indirectly or (ii) the right to appoint and/or remove not less than 100 per cent. of the members of the board of directors or other governing body of the person concerned, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; and

"**Controlling Person**" means the State-owned Assets Supervision and Administration Commission of the Yinchuan City (銀川市國有資產監督管理委員會).

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

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

In this Condition 5(c):

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

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

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

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

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

(h) *No duty to monitor:* Neither the Trustee nor any Agent shall be obliged to take any steps to ascertain whether a No Registration Event, Change of Control, Potential Event of Default (as defined in the Trust Deed) or Event of Default has occurred or to monitor the occurrence of any Change of Control, Potential Event of Default or Event of Default, and shall not be liable to the Bondholders or any other person for not doing so.

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

6. Payments

(a) *Principal*: Payments of principal shall be made by U.S. dollar cheque drawn on, or, upon application by a Holder of a Bond to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

(b) *Interest*: Payments of interest shall be made by U.S. dollar cheque drawn on, or upon application by a Holder of a Bond to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

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

(d) *Payments on business days*: Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by U.S. dollar cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Bond shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 6 (*Payments*) arriving after the due date for payment or being lost in the mail. In this paragraph, "**business day**" means any day on which banks are open for general business (including dealings in foreign currencies) in New York City, London and Hong Kong and, in the case of surrender (or, in the case of part payment only, endorsement) of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed).

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

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

*Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the 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 and interest in respect of the Bonds by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the PRC or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law.

Where such withholding or deduction is made by the Issuer in the PRC up to the rate applicable on 18 July 2017 (the "**Applicable Rate**"), the Issuer will pay such additional amounts as will result in receipt by the Bondholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.

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

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

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

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

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

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

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

8. Events of Default

If any of the following events 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 Bonds or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) give written notice to the Issuer declaring the Bonds to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality:

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

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

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

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

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

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

provided that the amount of indebtedness referred to in sub-paragraph (i) and/or subparagraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above, individually or in the aggregate, exceeds U.S.$20,000,000 (or its equivalent in any other currency or currencies); or

(d) *Unsatisfied judgment*: one or more judgment(s) or order(s) for the payment of any amount (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 or unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

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

(f) *Insolvency, etc.*: (i) the Issuer or any of its Principal Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer or any of its Principal Subsidiaries or the whole or any 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 the relevant creditors or declares a moratorium in respect of any of its indebtedness or any Guarantee of any indebtedness given by it or (iv) the Issuer or any of its ceases or threatens to cease to carry on all or any substantial part of its business; or

(g) *Winding up, etc.*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Principal Subsidiaries); or

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

(i) *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

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

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

(l) *Government Intervention*: (i) all or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Subsidiaries is condemned, seized, compulsorily acquired, expropriated, nationalised or otherwise appropriated by any person acting under the authority of any national, regional or local government or (ii) the Issuer or any of its Subsidiaries is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues.

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

(a) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited income statement is at least 3 per cent. of the consolidated revenue as shown by the latest audited consolidated income statement of the Issuer and its Subsidiaries; or

(b) whose gross profit or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross profit, as shown by its latest audited income statement are at least 3 per cent. of the consolidated gross profit as shown by the latest audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

(c) whose gross assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross assets, as shown by its latest audited balance sheet are at least 3 per cent. of the amount which equals the amount included in the consolidated gross assets of the Issuer and its Subsidiaries as shown by the latest audited consolidated balance sheet of the Issuer and its Subsidiaries including, for the avoidance of doubt, the investment of the Issuer in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and after adjustment for minority interests; or

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

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

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

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

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

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

A certificate prepared by an authorised signatory who is also a director of the Issuer that in his or her opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary of the Issuer in the absence of manifest error, be conclusive and binding on the Bondholders and all parties. The Certificate shall, if there is a dispute as to whether any Subsidiary of the Issuer is or is not a Principal Subsidiary, be accompanied by a report by a nationally recognised firm of public accounts addressed to the Issuer as to proper extraction of the figures used by the Issuer in determining the Principal Subsidiaries of the Issuer and mathematical accuracy of the calculation.

9. Prescription

Claims for principal and interest on redemption shall become void unless the relevant Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

10. Replacement of Certificates

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

11. Trustee and Agents

Under the Trust Deed, the Trustee is entitled to be indemnified and/or provided with security and/or pre-funded and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Bondholders. In addition, the Trustee, the Agents and their respective directors and officers are entitled (i) to enter into business transactions with the Issuer and/or any of the Issuer's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's Subsidiaries, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Bondholders as a class and will not be responsible for any consequence for individual Holders of Bonds 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 Bonds, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders.

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

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

12. Meetings of Bondholders; Modification and Waiver

(a) *Meetings of Bondholders*: The Trust Deed contains provisions for convening meetings of Bondholders to consider matters relating to the Bonds, including the modification of any provision of these Conditions, the Trust Deed and the Agency Agreement. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or by the Trustee and shall be convened by the Trustee upon the request in writing of Bondholders holding not less than 10 per cent. of the aggregate principal amount of the outstanding Bonds (subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction). The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than 50 per cent. of the aggregate principal amount of the outstanding Bonds or, at any adjourned meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal, premium or interest in respect of the Bonds, to reduce the amount of principal, premium or interest payable on any date in respect of the Bonds, to alter the method of calculating the amount of any payment in respect of the Bonds or the date for any such payment, to change the currency of payments under the Bonds, to amend Condition 3 (*Covenants*) or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution) (each, a "**Reserved Matter**")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Bondholders at which two or more persons holding or representing not less than 75 per cents. or, at any adjourned meeting, 25 per cent. of the aggregate principal amount of the outstanding Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders, whether present or not and whether or not they voted on the Extraordinary Resolution. In addition, consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the Bondholders of not less than 90 per cent. of the aggregate principal amount of the Bonds then outstanding for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Bondholders. An Extraordinary Resolution passed at any meeting of the Bondholders will be binding on all Bondholders, whether or not they are present at the meeting.

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

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

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

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

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

13. Enforcement

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

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

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

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

14. Further Issues

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

15. Notices

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

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

16. Currency Indemnity

If any sum due from the Issuer in respect of the Bonds 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 Bonds, the Issuer shall indemnify the Trustee and each Bondholder, on the written demand of the Trustee or such Bondholder 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 Bondholder 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 Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with the Bonds, the Trust Deed and Agency Agreement are governed by English law.

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

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

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

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

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

The Global Bond Certificate will become exchangeable in whole, but not in part, for Individual Bond 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 Bond Certificate is to be exchanged for Individual Bond Certificates, such Individual Bond Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Bond Certificate within five business days of the delivery, by or on behalf of the registered Holder of the Global Bond Certificate, Euroclear and/or Clearstream, to the Registrar of such information as is required to complete and deliver such Individual Bond Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Bond Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Bond Certificate at the Specified Office 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 Bonds scheduled thereto and, in particular, shall be effected without charge to any Holder 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 Bond Certificate will contain provisions that modify the Terms and Conditions as they apply to the Bonds evidenced by the Global Bond 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 Bond Certificate, "**business day**" means any day which is a day on which dealings in foreign currencies may be carried on in New York City and Hong Kong.

Payment Record Date

Each payment in respect of the Global Bond Certificate will be made to the person shown as the Holder 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 weekday (Monday to Friday, inclusive) except 25 December and 1 January.

Trustee's powers

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

Bondholder's redemption

The Bondholder's redemption option in Condition 5(c) and 5(d) may be exercised by the holder of this Global Certificate giving notice to the Principal Paying Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Conditions.

Issuer's redemption

The option of the Issuer provided for in Condition 5(b) shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by that the Conditions.

Notices

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

Transfers

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

Cancellation

Cancellation of any Bond by the Issuer following its redemption or purchase by the Issuer and its Subsidiaries will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

Meetings

For the purposes of any meeting of Bondholders, the holder of the Bonds evidenced by the Global Certificate shall be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each US$1,000 in principal amount of Bonds for which the Global Certificate is issued.

DESCRIPTION OF THE GROUP

OVERVIEW

The Group is the largest operation platform for stated-owned capital in the Yinchuan Municipality of the Ningxia Hui Autonomous Region in terms of assets size as at 31 December 2016 and is wholly-owned by the Yinchuan SASAC, the local counterpart of the State Administration of State-owned Assets Commission of the PRC. Since its establishment in 2008, the Group has played an important role in particular in implementing the Ningxia government's blueprint for infrastructure planning and municipal construction, and has received strong financial and operational supports from the Yinchuan Municipal Government. Its operations and investments focus on infrastructure development and construction in the Yinchuan Municipality of the Ningxia Hui Autonomous Region.

As at 31 December 2016, the Group operated its principal businesses primarily through 12 subsidiaries. As at 31 December 2015 and 2016, the consolidated total assets of the Group were RMB45,358.0 million and RMB41,305.1 million, respectively. For the years ended 31 December 2015 and 2016, the operating income of the Group was RMB2,152.8 million and RMB2,221.0 million, respectively. For the years ended 31 December 2015 and 2016, gross profit of the Group was RMB476.7 million and RMB488.6 million, respectively.

Over the years, the Group has diversified its business portfolio to include infrastructure construction, water supply, public transportation, gas supply, bookstore operation and other businesses. Set forth below is an overview of the principal business segments of the Group:

- ***Infrastructure Construction***. The Group is the sole government authorised infrastructure constructor in Yinchuan. It conducts its infrastructure construction business through Yinchuan Municipal Construction Investment Holdings Ltd (銀川市城市建設投資控股有限公司)(the "**Municipal Construction Company**") in which the Group directly holds approximately 78.7 per cent. of equity interest. The Group mainly undertakes infrastructure construction projects for the Yinchuan Municipal Government, such as the construction of municipal roads, affordable housing projects, water facilities and educational institutions. The Group also undertakes a small number of self-invested infrastructure construction projects. As at 31 December 2016, some of the Group's completed infrastructure construction projects have not been fully paid. The total investment of those infrastructure construction projects amounted to approximately RMB15,140.23 million. As at 31 December 2016, the Group had received payments for those infrastructure construction projects totalling approximately RMB4,504.34 million, which represented approximately 20.0 per cent. of the total amount receivable for those projects. As at 31 December 2016, the Group had approximately 520 ongoing infrastructure construction projects with investment totalling approximately RMB9,599.6 million. For the years ended 31 December 2015 and 2016, operating income generated from the Group's infrastructure construction business was RMB1,042.0 million and RMB1,011.7 million, respectively, representing 48.4 per cent. and 45.6 per cent., respectively, of the Group's operating income. For the years ended 31 December 2015 and 2016, gross profit generated from the Group's infrastructure construction business was RMB431.6 million and RMB401.3 million, respectively, representing 84.3 per cent. and 80.7 per cent., respectively, of the Group's total gross profits.

- ***Water Supply***. The Group is the sole water supplier in Yinchuan. The Group's water supply business includes tap water supply, water facility construction and other related business. It conducts its water supply business primarily through Yinchuan China Railway Water Group Co., Ltd. (銀川中鐵水務集團有限公司)(the "**China Railway Water Company**") in which the Group directly holds 51.0 per cent. of equity interest, and through its wholly-owned direct subsidiary, Yinchuan West Water Supply Co., Ltd. (銀川市西部供水有限公司)(the "**Water Supply Company**"). China Railway Water Company is the sole supplier for tap water supply, water facility construction and other related business in Yinchuan. Water Supply Company supplies tap water for industrial use for the area around Yinchuan. As at 31 December 2016, the Group supplied tap water in Yinchuan with the coverage extended to over 1.3 million residents in an area of approximately 330 square kilometres in Yinchuan. As of 31 December 2016, the Group had nine pieces of water supply land, 13 water supply plants, 272 deep wells, and 1,277 kilometres of water pipeline networks (DN100mm or above) in operation. The Group's water plants had a combined design water processing capacity of 533,000.0 million tonnes per day as of 31 December 2016. For the years ended 31 December 2015 and 2016, the operating income derived from the Group's water supply business was RMB371.8 million and RMB430.9 million, respectively, representing 17.3 per cent. and 19.4 per cent., respectively, of the Group's operating income. For the years ended 31 December 2015 and 2016, gross profit generated from the Group's water supply business was RMB109.4 million and RMB91.1 million, respectively, representing 21.4 per cent. and 18.3 per cent., respectively, of the Group's total gross profits.

- ***Public Transportation***. The Group is the sole public transportation operator in Yinchuan. It conducts its public transportation business primarily through Yinchuan City Public Transportation Co., Ltd (銀川市公共交通有限公司) (the "**Public Transportation Company**") in which Municipal Construction Company holds 100.0 per cent. The Group's public transportation network covers the downtown area of Yinchuan and nearby counties including Helan County (賀蘭縣) and Yongning County (永寧縣), representing approximately 60% of the urban public passenger transportation (buses, vans and taxis) in Yinchuan. It also covers some neighbouring districts such as Binhe New District (濱河新區). As at 31 December 2016, the Group had 1,818 public vehicles operating in 125 routes, with a total length of routes amounting to 2,229.8 km, a total travelled distance of its public vehicles of 8,444.1 km and a total passenger traffic volume of 310.0 million person-times. For the years ended 31 December 2015 and 2016, the operating income derived from the Group's public transportation business was RMB211.9 million and RMB203.5 million, respectively, representing 9.8 per cent. and 9.2 per cent., respectively, of the Group's operating income. Due to the public services nature of the Yinchuan bus system, the Yinchuan Municipal Government controls the ticket fares. The operating income generated from the Group's public transportation business covers part of its operating costs. For the years ended 31 December 2015 and 2016, the Group's public transportation business initially recorded losses of RMB303.5 million and RMB271.6 million, respectively. The Yinchuan Municipal Government subsidises the Group for the bus operations due to its public services nature. For the years ended 31 December 2015 and 2016, the government subsidies received by the Group for its public transportation business amounted to RMB225.2 million and RMB223.4 million, respectively.

- ***Gas Supply***. The Group operates one of the primary liquefied gas providers in Yinchuan and offers the most comprehensive set of gas supply services in Yinchuan. It conducts its gas supply business primarily through Yinchuan Gas Heating Co., Ltd. (銀川市煤氣供熱有限公司) (the "**Gas Heating Company**"), a wholly-owned direct subsidiary of Municipal Construction Company. Gas Heating Company is primarily engaged in the supply of bottled liquefied petroleum gas and compressed natural gas for automobiles for approximately 90,000 residents and some of the urban catering industry in Yinchuan. For the years ended 31 December 2015 and 2016, the operating income derived from the Group's gas supply business was RMB77.3 million and RMB60.7 million, respectively, representing 3.6 per cent. and 2.7 per cent., respectively, of the Group's operating income. For the years ended 31 December 2015 and 2016, gross profit generated from the Group's gas supply business was RMB20.9 million and RMB13.6 million, respectively, representing 4.1 per cent. and 2.7 per cent., respectively, of the Group's total gross profits.

- ***Bookstore Operation***. The Group is the largest state-owned bookstore operator in Yinchuan with 60 years of operating experience and its sales volume of books accounted for over 80% of the total sales volume of the region for the calendar year ended 31 December 2016. It conducts its bookstore business primarily through its wholly-owned direct subsidiary, Yinchuan Xinhua Bookstore Co., Ltd. (銀川新華書店有限公司) (the "**Bookstore Company**"). The Group's bookstore business includes the sales of books, audio-visual products and stationery. For the years ended 31 December 2015 and 2016, the operating income derived from the Group's bookstore operation business was RMB104.3 million and RMB106.1 million, respectively, representing 4.8 per cent. and 4.8 per cent., respectively, of the Group's operating income. For the years ended 31 December 2015 and 2016, gross profit generated from the Group's bookstore operation business was RMB35.0 million and RMB30.9 million, respectively, representing 6.8 per cent. and 6.2 per cent., respectively, of the Group's total gross profits.

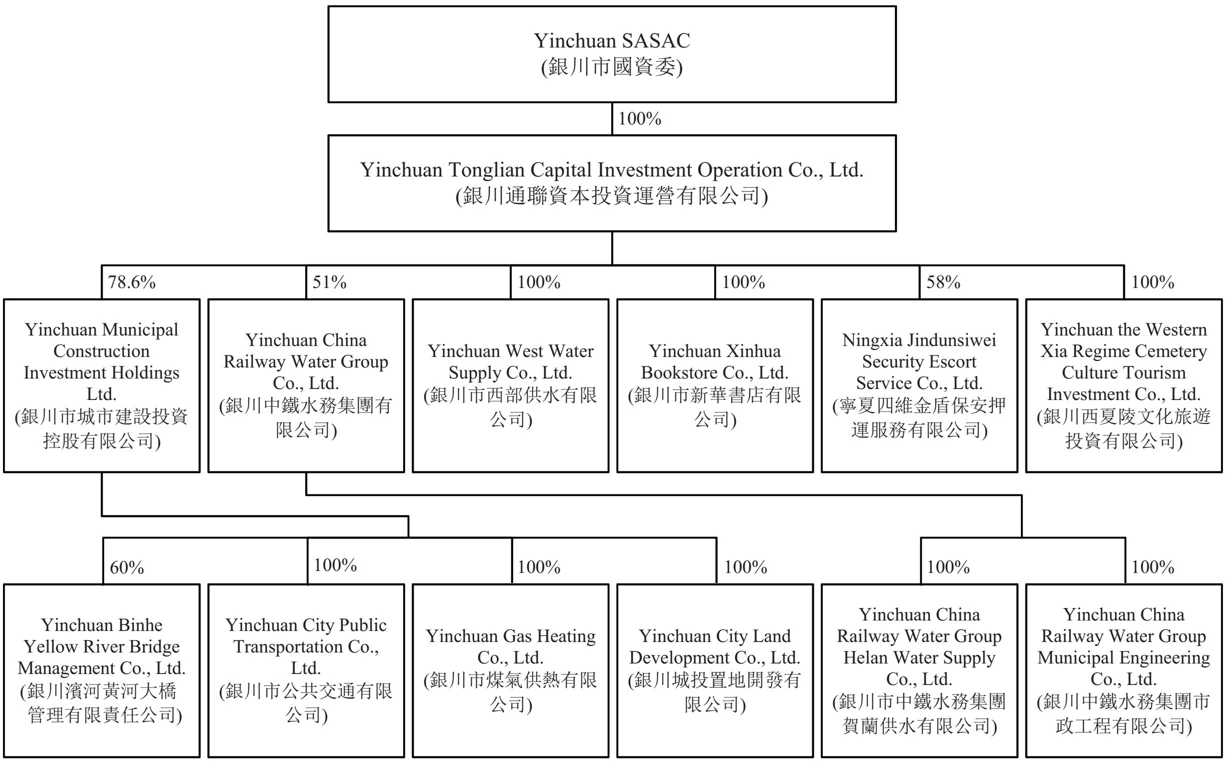
- ***Other businesses***. The Group is also engaged in other business operations including, among others, secured transport service, real property, tourism, advertising, property leasing and management, sewage treatment and financial services. For the years ended 31 December 2015 and 2016, the operating income derived from the Group's other businesses was RMB345.5 million and RMB408.1 million, respectively, representing 16.0 per cent. and 18.4 per cent., respectively, of the Group's operating income. For the years ended 31 December 2015 and 2016, gross profit generated from the Group's other businesses was RMB218.6 million and RMB231.9 million, respectively, representing 42.7 per cent. and 46.6 per cent., respectively, of the Group's total gross profits.

RECENT DEVELOPMENT

The Group's total liabilities were RMB26.7 billion as at 31 May 2017. The Group's other payables increased by RMB6.2 billion from 31 December 2016 to 31 May 2017; correspondingly, the Group's currency funds increased by RMB2.1 billion and other current assets increased, mainly in the form of financial products, by RMB3.8 billion for the same period.

CORPORATE STRUCTURE

As at 31 December 2016, the Group operated its principal businesses primarily through 12 subsidiaries. The chart below illustrates a simplified corporate structure of the Group, as at the date of this Offering Circular:



HISTORY AND DEVELOPMENT

The following are a number of the key events occurred and a number of honour and awards received in the corporate development of the Group:

2008	• Yinchuan Zhulong Investments Company Limited, the predecessor of the Group, was established by the Yinchuan Municipal Government on 22 December 2008, as a wholly state-owned enterprise with an initial registered capital of RMB500 million.
2011	• The Company's registered capital was increased to RMB500,556,800 through capital injections by the Yinchuan Municipal Government.
2014	• The Yinchuan SASAC transferred approximately 100.0 per cent. equity interests in Municipal Construction Company (the Group now holds 78.6 per cent.), 100.0 per cent. equity interests in Bookstore Company and 51.0 per cent. equity interests in China Railway Water Company to the Group.
	• The Yinchuan SASAC changed the name of the Company to Yinchuan Tonglian Capital Investment Operation Co., Ltd.
	• The Company's registered capital was increased to RMB3,000 million through capital injections by the Yinchuan Municipal Government.
2015	• The Company's registered capital was increased to RMB10,055.6 million through capital injections by the Yinchuan SASAC.
	• In October, the Group successfully issue its medium term note in the PRC in principal amounts of RMB2 billion.
2016	• In January, the Group successfully issued its medium term note in the PRC in principal amounts of RMB400 million.
	• In February, the Group successfully issued its short-term financing bond in the PRC in principal amounts of RMB500 million.
	• The Company's registered capital was increased to RMB11,035,600,000 through capital injections by the Yinchuan SASAC.
2017	• In March, the Group successfully issued its short-term financing bond in the PRC in principal amounts of RMB500 million.

AWARDS

The Group has received numerous awards and recognition at the group level and in each of principal business segments as set forth below.

The Company

- In May 2016, the Company was awarded the "Municipal Investment Attraction Advance Unit for the Year of 2015" by Yinchuan Municipal Party Committee of CPC and Yinchuan Municipal People's Government.

Infrastructure Construction

- In February 2015, Yinchuan Municipal Construction and Comprehensive Tunnel Investment Construction Management Co., Ltd. (銀川市市政建設和綜合管廊投資建設管理有限公司) (“**Construction Management**”), partially owned and operated by the Group, was awarded the “Yinchuan Municipal ‘Phoenix’ High Quality Construction Project for the Year of 2014” for its construction project of Jinfeng 16th Road by Yinchuan Municipal Construction Industry Association.

- In February 2015, Construction Management was awarded the “Yinchuan Municipal ‘Phoenix’ High Quality Construction Project for the Year of 2014” for its construction project of South Phoenix Street by Yinchuan Municipal Construction Industry Association.

- In July 2016, Construction Management was awarded the “Yinchuan Municipal Construction Industry Association Advanced Unit for the Year of 2015” by Yinchuan Municipal Construction Industry Association.

Water Supply

- In May 2016, China Railway Water Company was awarded the “Yinchuan Municipal Re-examination Work on National Water-Saving Cities Advanced Collective” by Yinchuan Municipal People’s Government.

- In June 2015, China Railway Water Company won the “Yinchuan SASAC System Advanced Grass-roots Party Organization Award” organised by Yinchuan Municipal State-owned Assets Supervision and Administration Working Committee.

Public Transportation

- In August 2016, Public Transportation Company was awarded the “National Transportation Industry Spiritual Civilization Construction Advanced Unit” by Ministry of Transport.

Gas Supply

- In June 2016, Gas Heating Company was awarded the “Quality and Reputation AAA Level Enterprise” by Yinchuan Municipal Road Transportation Administration Bureau.

Bookstore Operation

- In January 2014, Bookstore Company was awarded the “Civilized Unit” by Yinchuan Municipal Party Committee of CPC and Yinchuan Municipal People’s Government.

Other Businesses

- In January 2015, Ningxia Jindunsiwei Security Escort Service Co., Ltd. (寧夏四維金盾保安押運服務有限公司) was awarded the “Advanced Grass-roots Party Organization for the Year of 2015” by Yinchuan Municipal State-owned Assets Supervision and Administration Working Committee.

- In September 2015, Yinchuan the Western Xia Regime Cemetery Culture Tourism Investment Co., Ltd. (銀川西夏陵文化旅遊投資有限公司) was awarded the “China-Arab States Travelling Salesmen Conference Reception Work Advanced Unit” by Ningxia Hui Autonomous Region Tourist Bureau. In March 2016, Yinchuan the Western Xia Regime Cemetery Culture Tourism Investment Co., Ltd. (銀川西夏陵文化旅遊投資有限公司) won the “2015-2016 Winter Tourism Outstanding Organization Award” organized by Ningxia Hui Autonomous Region Tourist Bureau.

COMPETITIVE STRENGTHS

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

Excellent location with great social and economic development potential

The Group focuses on infrastructure construction and municipal development in Yinchuan. Established in 2008, the Group is designated to carry out Yinchuan Municipal Government's blueprint for infrastructure construction and municipal development in Yinchuan. Yinchuan is the capital of the Ningxia Hui Autonomous Region. Located at the hub of the domestic section of the New Eurasian Land Bridge, the Ningxia Hui Autonomous Region is the fastest and the most convenient air and road passageway in China that connects the northern China region and the north-eastern China region with the Middle East and Central Asia. Yinchuan has traditionally been an important passageway for "Silk Road", and is also considered as a key municipality in carrying out China's "One Belt, One Road" initiative. Yinchuan is closely associated with domestic and international economic and trade exchanges and cultural communication. With the implementation of "One Belt One Road" initiative, constructing a new Eurasian Land Bridge Economic Corridor brings significant opportunities for the development of Yinchuan.

Yinchuan has successfully organized the China-Arab States Economic and Trade Forum (which changed its name to China-Arab States Expo in 2013) since the first forum in 2010. Yinchuan has therefore been named as the permanent site for the China-Arab States Expo. In September 2012, the State Council had established an inland opening-up pilot economic zone in the Ningxia Hui Autonomous Region to promote economic and trade cooperation between China and Arab States.

An abundance of coal reserves of various types and high quality, the convenient access to Yellow River, and numerous grade "5A" tourist areas in Yinchuan also benefit the Group's various businesses.

Ningxia Hui Autonomous Region has experienced rapid and remarkable economic and social development in recent years. According to the Statistics Bureau of Ningxia Hui Autonomous Region, Ningxia Hui Autonomous Region recorded an annual gross domestic product (GDP) of RMB315.01 billion in 2016, representing an increase of 8.1% as compared to 2015. The growth speed ranked first of northwester provinces and ninth in the PRC.

As the Group's primary business segments focus on infrastructure development and construction in Yinchuan, the Group's businesses have benefited, and will continue to benefit, from its excellent location and the development of Yinchuan, which have brought and will continue to bring significant business opportunities to the Group in terms of infrastructure construction and municipal development.

The largest investment platform for infrastructure development and construction wholly-owned by the Yinchuan SASAC

The Group is the largest operation platform for stated-owned capital in the Yinchuan Municipality of the Ningxia Hui Autonomous Region in terms of assets size as at 31 December 2016 and is wholly-owned by the Yinchuan SASAC. The Group is also the sole government authorised infrastructure constructor in Yinchuan, the sole water supplier in Yinchuan, the sole public transportation operator in Yinchuan, one of the primary liquefied gas providers with the most comprehensive set of gas supply services in Yinchuan and the largest state-owned bookstore operator in Yinchuan.

Since its establishment, the Group has received strong financial support from the Yinchuan Municipal Government and the Yinchuan SASAC, including capital injections, asset injections, government subsidies, preferential tax treatment and other government involvement to support the Group's operation and development.

- *Capital injections*: Since its establishment, the Group has received capital injections from the Yinchuan Municipal Government and the Yinchuan SASAC on various occasions. In 2011, the Yinchuan Municipal Government increased the registered capital of the Company by RMB556,800. In 2014, 2015 and 2016, the Yinchuan SASAC further increased the Group's registered capital by approximately RMB3.0 billion, RMB7.1 billion and RMB2.7 billion respectively.

- *Asset injections*: The Yinchuan SASAC also provides support to the Group in the form of equity transfers, with the aim of replenishing the Group's assets and diversifying the Group's businesses. In 2014, The Yinchuan SASAC transferred 100.0 per cent. equity interests in Municipal Construction Company, 100.0 per cent. equity interests in Bookstore Company and 51.0 per cent. equity interests in China Railway Water Company to the Company. These transfers expanded the Group's business scope. As at the date of this Offering Circular, the Group holds 78.6491%, 100% and 51% equity interests in these companies, respectively.

- *Government subsidies*: The Group also receives financial support from the Yinchuan Municipal Government in the form of government grants. For the years ended 31 December 2015 and 2016, the government subsidies and grants received by the Group amounted to RMB533.5 million and RMB789.4 million, respectively.

- *Preferential tax treatment*: The Yinchuan Municipal Government provides financial support to the Group in the form of tax rebates from time to time. Certain subsidiaries of the Company are entitled to preferential enterprise income tax rate of 15.0 per cent. compared to the statutory tax rate of 25.0 per cent. pursuant to applicable preferential taxation policies.

- *Government involvement*: The Yinchuan Municipal Government and the Yinchuan SASAC exercise considerable influence over the Group's business strategy and performance, with the key executives of the Group being appointed by the Yinchuan SASAC from senior positions within the Yinchuan Municipal Government. See "*Directors, Supervisors and Senior Management*." The Group works closely with the relevant Yinchuan municipal departments and authorities to determine the Group's annual investment plans, budgets, business plans and performance targets and ensure that informed and viable investment decisions are made and implemented by the Group.

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

The Group has a diversified business portfolio and asset base which provide it with steady operating income and cash flows from its businesses and enhance its risk resilience. The Group's infrastructure construction, water supply, public transportation, gas supply and bookstore operation businesses are the Group's principal sources of operating income. The Group's other businesses (including, among others, sale of properties, property leasing and management, sewage treatment and financial services) also provide stable operating income and cash flows to the Group.

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

Diversified sources of funding and strong credit position

The Group has access to both equity and debt financing and the ability to tap both sources of funding depending on market conditions, thereby increasing the possibility to secure favourable financing terms and enhancing its funding efficiency. As at 31 December 2016, the Group had an outstanding balance of debt financing instruments of RMB11.2 billion, comprising corporate debt of RMB5.3 billion, medium term notes of RMB2.4 billion, short-term financing notes of RMB0.5 billion and privately placed debt financing instruments of RMB3.0 billion. The Group believes that its ability to obtain financing gives it a comparative advantage over competitors with only access to limited funding sources. As such, the Group believes that it has a robust liquidity position with access to diversified funding sources. As at 31 December 2016, the Group had cash and cash equivalents of approximately RMB3.0 billion as compared to long-term loans and short-term borrowing of approximately RMB1.0 billion. The Group actively manages its cash flow and capital commitments to ensure that it has sufficient funds to meet its existing and future cash flow requirements.

In addition to cash generated from its operations, the Group has maintained long-term relationships with a large number of domestic and international banks, including Ningxia branch of China Development Bank, Ningxia branch of Agricultural Development Bank of China, Yinchuan branch of China Merchants, Ningxia branch of Bank of China and Xita branch of Bank of Communications, with total approved credit lines of approximately RMB21.8 billion and unused credit lines of RMB3.3 billion as at 31 December 2016. The Group's strong financing capability has enabled it to capitalise on various business opportunities to purchase or construct new production facilities and equipment in each of the industries in which it operates.

Experienced management team with sound corporate governance

The Group's management team has extensive experience in the various businesses of the Group, including urban operations, infrastructure construction and water supply. The management team has on average 17 years of management experience in either the Group or other large corporations. Many members of the Group's management team also serve, or have served, in various positions of the Yinchuan Municipal Government. The Group believes that its management team's extensive experience in a broad range of industries and strong execution capabilities will continue to be instrumental in executing its business strategies and capturing market opportunities as they arise, and contribute to the sustainable growth of the Group.

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

BUSINESS STRATEGIES

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

Actively respond to the "One Belt, One Road" initiative of the PRC government and continue to focus on municipal infrastructure development in Yinchuan

The Group plans to continue to actively leverage the strategic location of Yinchuan and the "One Belt, One Road" initiative of the PRC government and increase its focus on urban infrastructure construction and development. With its excellent strategic location, Yinchuan is also considered as a key municipality in carrying out China's "one Belt, One Road" initiative. in recent years, Yinchuan has released a number of policies to further develop infrastructure in Yinchuan. Over the past few years, the Group has built a strong presence and achieved a market-leading position in the infrastructure construction in Yinchuan. Leveraging its close relationships with the Yinchuan municipal government, the Group plans to focus on infrastructure construction and municipal development and the provision of related services in Yinchuan given the active demand for infrastructure construction in Yinchuan. the Group intends to continue to work closely with the Yinchuan municipal government and the Yinchuan

SASAC to explore innovative models to participate in public infrastructure projects in the evolving PRC regulatory environment. the Group believes that this will further strengthen its key position as a leading urban infrastructure developer in Yinchuan.

Further enhance the Group's core competitive advantages in its business industries with support from local government

The Group believes that the existing urban planning and development policies of the Yinchuan Municipal Government will lead to further growth opportunities in the Group's urban and environmental planning. With the strategic objective of creating "Three Centres and One Destination," or, a modern logistics centre, a life service centre, a modern service business centre and a venue for tourism and leisure, for the Yinchuan Municipal Government, the Group intends to develop Yinchuan into a regional service business centre for the regions of Shaanxi, Gansu, Ningxia and Inner Mongolia. The Group also aims to continue to leverage on its existing close working relationship with the Yinchuan Municipal Government with a view to winning mandates for business segments including infrastructure construction, water supply, public transportation, gas supply and bookstore operation. By utilising its existing competitive strengths alongside the future development policies of Yinchuan, the Group will continue to seek business opportunities and further enhance its core competitive advantages.

Continue to diversify the Group's businesses and to expand into industries that provide synergies with the Group's core businesses

The Group intends to continue to focus on infrastructure construction, water supply, public transportation, gas supply and bookstore operation segments. However, the Group also plans to diversify its business portfolio and expand into industries that will create synergies with the Group's existing business. Over the years, the Group has gradually diversified its business to other business operations that provide synergies with the Group's core business including, among others, sale of properties, property leasing and management, sewage treatment and financial services. The Group believes its increased investment in diversified business areas will continue to benefit local social and economic development and that the diversified source of the Group's income will contribute to a steady growth of the Group's income.

Continue to centralise the management of the Group's capital

The Group will continue to centralise the management of its capital to achieve efficient capital deployment. Specifically, to further control costs and improve profitability, the Group plans to continue adopting prudent financial policies. Such policies include:

- Maintaining a standard capital management mechanism to monitor capital usage and its efficiency and to prevent the risk of misapplication of capital, thus increasing the overall management efficiency; and

- Maintaining prudent investment policies to achieve balance between assets and liabilities, between investment returns and risk-taking, and between core businesses and non-core businesses.

The Group believes that these measures will further enhance its competitive advantages and help achieve sustainable growth.

Improve risk management system and adopt strict risk control measures

The Group believes that a prudent risk management system will contribute to minimising the operational and financial risks of the Group. The Group will continue to adopt the following risk control measures to improve its risk management structure and internal control systems:

- Continuing to implement a stringent financial reporting and controlling system focusing on centralised management in order to ensure strict compliance with applicable laws and regulations;

- Implementing the coordination of tendering and bidding management among various operational units; and

- Allocating more resources to the Group's research and development for construction, new technologies and products, and project and operation management, while gradually implementing a centralised management system over its fixed assets, such as key technical equipment.

The Group strives to prudently manage its finances while fulfilling its investment and development needs to drive its profitability.

Attract, motivate and cultivate high-quality talent

The Group believes that people are one of its important assets and the Group's continued ability to compete effectively in its existing businesses and expand into new business areas depend on its ability to attract, motivate and retain talent. As at 31 December 2016, the Group employed approximately 7,700 employees, among which approximately 450 had a bachelor's degree or above, representing approximately 5.8 per cent. of total employees. The salaries and benefits of the Group's employees depend primarily on their type of work, position, length of service with the Group and local market conditions. The Group believes that its compensation packages for its employees are in line with industry standards. The Group plans to further enhance its comprehensive training programs to improve the skills and knowledge base of its employees. The Group also seeks to motivate and retain high-quality talent through a performance-based compensation system, reinforce their commitment to the Group's culture and promote a cohesive work environment.

DESCRIPTION OF THE GROUP'S BUSINESS

The Group's operations and investments primarily focus on six business segments, namely (i) infrastructure construction, (ii) water supply, (iii) public transportation, (iv) gas supply; (v) bookstore operation, and (vi) other businesses.

The following table sets out a breakdown of the Group's operating income from each business segment for the periods indicated:

	Year ended 31 December			
	2015		2016	
	Amount	% of total	Amount	% of total
	(RMB million) (audited)		(RMB million) (audited)	
Business segment				
Infrastructure Construction	1,042.0	48.4	1,011.7	45.6
Water Supply	371.8	17.3	430.9	19.4
Public Transportation	211.9	9.8	203.5	9.2
Gas Supply	77.3	3.6	60.7	2.7
Bookstore Operation	104.3	4.8	106.1	4.8
Other Businesses	345.5	16.0	408.1	18.4
Total	**2,152.8**	**100.0**	**2,221.0**	**100.0**

The following table sets out a breakdown of the Group's total gross profit from each business segment for the periods indicated:

	Year ended 31 December			
	2015		2016	
	Amount	% of total	Amount	% of total
	(RMB million) (audited)		(RMB million) (audited)	
Business segment				
Infrastructure Construction	431.6	84.3	401.3	80.7
Water Supply	109.4	21.4	91.1	18.3
Public Transportation[1]	(303.5)	(59.3)	(271.6)	(54.6)
Gas Supply	20.9	4.1	13.6	2.7
Bookstore Operation	35.0	6.8	30.9	6.2
Other Businesses	218.6	42.7	231.9	46.6
Total	**512.0**	**100.0**	**497.1**	**100.0**

Note:

1. For the years ended 31 December 2015 and 2016, the Group's public transportation business initially recorded losses of RMB303.5 million and RMB271.6 million, respectively. The Yinchuan Municipal Government subsidises the Group for its bus operations due to its public services nature. For the years ended 31 December 2015 and 2016, the government subsidies received by the Group for its public transportation business amounted to RMB225.2 million and RMB223.4 million, respectively. Details see "Description of the Group – Description of the Group's Business – Public Transportation".

Infrastructure Construction

Overview

The Group is the sole government authorised infrastructure constructor in Yinchuan. It conducts its infrastructure construction business through Municipal Construction Company.

The Group mainly undertakes infrastructure construction projects for the Yinchuan Municipal Government, such as the construction of municipal roads, affordable housing projects, water facilities and educational institutions. The Group also undertakes a small number of self-invested infrastructure construction projects, such as construction of the Yellow River Bridge in Binhe, Yinchuan (銀川濱河黃河大橋) and the Viaduct in Hexi extended from Beijing Road in Yinchuan (銀川北京路延伸河西高架橋).

As at 31 December 2016, some of the Group's completed infrastructure construction projects have not been fully paid. The total investment of those infrastructure construction projects amounted to approximately RMB15,140.23 million. As at 31 December 2016, the Group had received payments for those infrastructure construction projects totalling approximately RMB4,504.3 million, which represented approximately 20.0 per cent. of the total amount receivable for those projects. As at 31 December 2016, the Group had approximately 520 ongoing infrastructure construction projects with investment totalling approximately RMB9,599.6 million. For the years ended 31 December 2015 and 2016, operating income generated from the Group's infrastructure construction business was RMB1,042.0 million and RMB1,011.7 million, respectively, representing 48.4 per cent. and 45.6 per cent., respectively, of the Group's operating income. For the years ended 31 December 2015 and 2016, gross profit generated from the Group's infrastructure construction business was RMB431.6 million and RMB401.3 million, respectively, representing 84.3 per cent. and 80.7 per cent., respectively, of the Group's total gross profits.

Business Model

The Group's infrastructure construction projects are primarily conducted under a "build-and transfer" ("**BT**") business model. Under the BT business model, the Group normally carries out the construction work in accordance with a project buy-back agreement with the Yinchuan Municipal Government, which usually states that the Group is responsible for financing, constructing and delivering projects to the Yinchuan Municipal Government within the agreed timetable. For each project, the Group also undertakes to manage and coordinate the tendering and bidding process for third parties contractors, enter into any agreements and to initially pay for the fees and expenses of the third party contractors.

The Group outsources its construction work to independent third parties, such as Yinchuan Water Company (銀川市自來水公司) and Yinchuan Construction Bureau (銀川市建設局). Selection of the third-party contractors is customarily conducted through public tender and bidding process as required by national and local regulations. The Group considers bidders' track record performance, work quality, proposed delivery schedules and costs in its selection process and seek to maintain its construction costs at a reasonable level without sacrificing quality.

Upon completion, inspection and acceptance of the construction project, Yinchuan Municipal Finance Department will make payments to the Group in the agreed amount including a reasonable profit according to the instalment payment agreement and buy back the project according to the agreed schedule.

The Group primarily finances its construction projects through funds allocated by Yinchuan Municipal Finance Department and through self-financing methods (which includes bank loans and debt issuances). In determining whether funds will be allocated, Yinchuan Municipal Finance Department will consider such factors as the number of completed and ongoing construction projects and the scale and payment arrangements of the projects. Funds for each project will be included in the Yinchuan Municipal Finance Department's preparation and review of the annual budget and will be allocated according to the construction progress and funding needs of each project.

According to Guofa [2012] No.463 Circular, which was promulgated in 2012 by the PRC Construction Department and the PRC Treasury Department, the PRC government will no longer commission the construction of infrastructure projects using the buy-back business model. However, this was recently abolished pursuant to the decision issued on 18 August 2016, and the implications of the decision on the Group's business going forward are presently unclear. See "*Risk Factors – Risks Relating to the PRC – The PRC regulatory framework governing the incurrence of financial obligations and indebtedness by local governments and local government financing vehicles is undergoing significant change, and may materially and adversely impact the ability of the Group to conduct its business as presently conducted, significantly increase operating or compliance costs of the Group, or may otherwise materially and adversely affect the business, prospects, financial condition and results of operations of the Group*."

The Group has not engaged in any new buy-back projects since the promulgation of Guofa[2012] No.463 Circular. The existing buy-back projects would be bought back by Yinchuan Municipal Finance Department in accordance with the relevant existing project buy-back agreement.

As at 31 December 2016, Yinchuan Municipal Finance Department had made all the relevant payments in accordance with the relevant project buy-back agreement or instalment payment agreement for each of the Group's infrastructure construction projects.

Project Descriptions

Completed projects

As at 31 December 2016, some of the Group's completed infrastructure construction projects have not been fully paid. The total investment of those infrastructure construction projects amounted to approximately RMB15,140.2 million. As at 31 December 2016, the Group had received payments for those infrastructure construction projects totalling approximately RMB4,504.3 million, which represented approximately 20.0 per cent. of the total amount receivable for those projects. The Group expects to receive the outstanding payments in the amount of approximately RMB18,093.1 million according to the relevant payment arrangement. The particulars of certain recent significant projects are set forth below:

Project	Year of Commencement	Year of Completion	Total Investment	Total Amount Received as at 31 December 2016	Total Amount Receivable
				(RMB in millions)	
Project for Comprehensive Control of Urban Water Environment in Yinchuan (銀川市城市水環境綜合治理工程)	2011	2013	795.9	581.6	223.6
Project for Construction of Yinchuan Vocational and Technical Education Centre (銀川市職業技術教育中心建設工程).	2010	2013	715.2	522.6	200.9
Water Supply Project of Yinchuan Helanshan Water Plant (銀川市賀蘭山水廠供水工程)	2010	2013	563.7	681.0	381.9
Kangju Resettlement Housing (Phase II) Project for Rural Residents in Yinchuan (銀川市農民康居安置房(二期)工程).	2010	2013	388.6	469.4	332.7
Yindong Infrastructure Project (銀東基礎設施工程).	2013	2015	3,205.9	500.9	4,612.6
Project for Yinchuan Motor-Rail Multimodel Transportation Logistic Centre (銀川公鐵聯運物流中心項目)	2013	2015	633.9	99.1	911.9
Project for Line No. 1 and Line No. 2 of Yinchuan Bus Rapid Transit (BRT) (銀川快速公交BRT一號線、二號線工程)	2013	2015	1,331.9	100.00	911.9
Project for Yellow River Bridge in Binhe, Yinchuan (銀川濱河黃河大橋工程)	2014	2016	2,450.0	10.0	4,255.1
Project for the Viaduct in Hexi extended from Beijing Road in Yinchuan (銀川北京路延伸河西高架橋工程)	2014	2016	2,460.0	0.0	4,271.8
Others.	–	–	2,595.0	1,540.0	1,991.0
Total	**–**	**–**	**1,514.2**	**4,504.3**	**18,093.1**

Projects under construction

As at 31 December 2016, the Group had approximately 520 ongoing infrastructure construction projects with investment totalling approximately RMB9,599.6 million. The particulars of certain significant projects are set forth below:

Project	Year of Commencement	Total Investment	Source of Funding
		(RMB in millions)	
Infrastructure projects in east in Yinchuan (銀東基礎設施工程項目)	2012	1,356.8	Corporate bond issuance
Beijing road (北京路)	2003	335.6	Others
Yinchuan Bus Rapid Transit (BRT) Project (銀川快速公交BRT項目) . . .	2014	295.5	Corporate bond issuance
Railway Station (火車站)	2009	278.1	Bank loans
Wuli Livable Project (五裡宜居)	2011	237.2	Bank loans
Extension of the second and third waterworks (二、三水廠改擴建) . . .	2004	234.4	Bank loans and others
Unity square (大團結(迎賓)廣場)	2003	232.4	Bank loans
The first phase of healthy living – Guanghuamen resettlement area (康居一期 – 光化門安置區)	2008	221.2	Bank loans
Construction project of the 8th waterworks (八水廠建設項目)	2012	215.9	Bank loans
The first phase of healthy living – Youai resettlement area (康居一期 – 友愛安置區)	2009	197.9	Bank loans
Others	–	5,994.5	–
Total	**–**	**9,599.6**	**–**

Water Supply Business

Overview

The Group is the sole water supplier in Yinchuan. The Group's water supply business includes tap water supply, water facility construction and other related business. It conducts its water supply business primarily through China Railway Water Company and Water Supply Company. China Railway Water Company is the sole supplier for tap water supply, water facility construction and other related business in Yinchuan. Water Supply Company supplies water for industrial use for the area around Yinchuan.

For the years ended 31 December 2015 and 2016, the operating income derived from the Group's water supply business was RMB371.8 million and RMB430.9 million, respectively, representing 17.3 per cent. and 19.4 per cent., respectively, of the Group's operating income. For the years ended 31 December 2015 and 2016, gross profit generated from the Group's water supply business was RMB109.4 million and RMB91.1 million, respectively, representing 21.4 per cent. and 18.3 per cent., respectively, of the Group's total gross profits.

Tap Water Supply

The Group provides tap water supply to three city-governed districts in Yinchuan (namely, Xingqing district (興慶區), Jinfeng district (金鳳區) and Xixia district (西夏區)), Helan County (賀蘭縣), Yongning County (永寧縣), Lingwu (靈武市), as well as Hedong district (河東區). As at 31 December 2016, the Group supplied tap water in Yinchuan with the coverage extended to over 1.3 million residents in an area of approximately 330 square kilometres in Yinchuan. As of 31 December 2016, the Group had nine pieces of water supply land, 13 water supply plants, 272 deep wells, and 1,277 kilometres of water pipeline networks (DN100mm or above) in operation. The Group has no water supply plants under construction or any planned water supply plants as at 31 December 2016. The Group's water plants had a combined design water processing capacity of 533,000 tonnes per day as of 31 December 2016.

For the years ended 31 December 2015 and 2016, the operating income derived from the Group's tap water supply business was RMB275.5 million and RMB308.8 million, respectively, representing 74.1 per cent. and 71.7 per cent., respectively, of the operating income from the Group's total water supply business. For the years ended 31 December 2015 and 2016, gross profit generated from the Group's tap water supply business was RMB89.2 million and RMB60.3 million, respectively, representing 81.6 per cent. and 66.2 per cent., respectively, of the gross profits from the Group's total water supply business.

The following table sets forth details regarding the Group's water supply plants as at 31 December 2016:

Region	Number of Plants	Designed daily processing capacity (in 1,000 tonnes)	Actual daily output (in 1,000 tonnes)	Utilisation rate (%)
City-governed districts in Yinchuan	7	400.0	313.6	78.4
Helan County (賀蘭縣)	2	50.0	45.1	90.2
Yongning County (永寧縣)	2	40.0	26.7	66.8
Lingwu (靈武市)	1	20.0	28.0	140.0
Hedong district (河東區)	1	23.0	7.8	33.9
Total	**13**	**533.0**	**412.2**	**79.0**

Sales

The Group has a broad and diversified customer base covering residential, public, commercial and industrial sectors. As at 31 December 2015 and 2016, the Group had a total of approximately 550,000 and 568,000 users, respectively. For the years ended 31 December 2015 and 2016, the Group's total sales volume of tap water amounted to 126.9 million tonnes and 137.9 million tonnes, respectively.

The following table sets forth a breakdown of the sales volume of tap water by user category for the periods indicated:

User category	For the year ended 31 December			
	2015		2016	
	(million tonnes)	%	(million tonnes)	%
Residential users	60.7	47.8	64.9	47.0
Schools and public utilities	25.1	19.8	28.9	20.9
Non-residential domestic water users (including Industrial users, commercial users and administration institutions)	40.6	32.0	42.7	30.9
Special users	0.6	0.5	1.5	1.1
Total	**126.9**	**100.0**	**137.9**	**100.0**

Pricing

The water price is determined by the Yinchuan Municipal Government. The Group may apply to the Yinchuan Municipal Government for a price increase according to increases in its operating costs. Upon receiving the Group's application for price increase, the Yinchuan Municipal Government and the relevant pricing bureau would examine the operating situation of the Group, formulate a price adjustment scheme with the relevant departments and hold hearings to determine the price increase, if any. The Yinchuan Municipal Government generally adjusts the water price once every four to five years. In the past ten years, the Yinchuan Municipal Government only adjusted the water price upwards. The Group believes that the Yinchuan Municipal Government would not adjust the water price downwards due to the increased costs of the Group and if the Group's operating income from this business is unable to recover its operating costs, it would subsidy the Group for its tap water supply business due to the public service nature of the tap water supply in Yinchuan.

Water price varies between user categories. The following table sets forth the water price paid by different users during the periods indicated:

User category	For the year ended 31 December	
	2015	2016
	(RMB per tonne)	
Residential users (first category)	2.46	2.46
Residential users (second category)	3.56	3.56
Residential users (third category)	4.76	4.76
Schools and public utilities (within the quota)	2.4	2.4
Administration institutions	3.4	3.3
Industrial and commercial users	3.3	3.3
Special users (within the quota)	20	20
Special users (beyond the quota)	34	34

Water Facility Construction

The Group provides construction services of the construction of pipeline networks including connecting work and installation of water facilities such as meters and hydrants for its customers. Such customers include real estate companies, sub-district office, the office for the municipal construction projects and individual residents.

Before beginning construction or installation works, the Group plans the system layout according to an alignment plan of proposed connection mains submitted by the customer. The Group also provides consultancy services to customers regarding location of water supply connection. The customer will be required to provide relevant project approval documents, business licenses and environmental approval documents. After inspection and vetting of the construction proposal, the Group enters into a construction agreement with the customer. Water mains will be connected when the installation has been inspected and found satisfactory by the customer and after the customer has made its payment according to the construction agreement. For larger construction works, the charges will be paid according to the construction schedule by stages.

For the years ended 31 December 2015 and 2016, operating income derived from the Group's water facility construction was RMB96.3 million and RMB122.1 million, respectively, representing 25.9 per cent. and 28.3 per cent., respectively, of the operating income from the Group's total water supply business. For the years ended 31 December 2015 and 2016, gross profit generated from the Group's water facility construction was RMB20.1 million and RMB30.8 million, respectively, representing 18.4 per cent. and 33.8 per cent., respectively, of the gross profits from the Group's total water supply business.

Public Transportation

Overview

The Group is the sole public transportation operator in Yinchuan. It conducts its public transportation business primarily through Public Transportation Company. The Group's public transportation network covers the downtown area of Yinchuan and nearby counties including Helan County (賀蘭縣) and Yongning County (永寧縣), representing approximately 60% of the urban public passenger transportation (buses, vans and taxis) in Yinchuan. It also covers some neighbouring districts such as Binhe New District (濱河新區).

For the years ended 31 December 2015 and 2016, the operating income derived from the Group's public transportation business was RMB211.9 million and RMB203.5 million, respectively, representing 9.8 per cent. and 9.2 per cent., respectively, of the Group's operating income. Due to the public services nature of the Yinchuan bus system, the Yinchuan Municipal Government controls the ticket fares. The operating income generated from the Group's public transportation business covers part of its operating costs. For the years ended 31 December 2015 and 2016, the Group's public transportation business initially recorded losses of RMB328.5 million and RMB331.5 million, respectively. The Yinchuan Municipal Government subsidises the Group for its bus operations due to its public services nature. For the years ended 31 December 2015 and 2016, the government subsidies received by the Group for its public transportation business amounted to RMB225.2 million and RMB223.4 million, respectively

As at 31 December 2016, the Group had 1,818 public vehicles operating on 125 routes, with a total length of routes amounting to 2,229.8 km, a total travelled distance of its public vehicles of 8,444.1 km and total passenger traffic volume of 310.0 million person-times.

The following table sets out the details of the Group's public transportation operation for the periods indicated:

	For the year ended 31 December	
	2015	2016
Number of Routes	109.0	123.0
Length of Routes (km)	1,979.1	2,229.8
Number of Vehicles	1,949.0	1,818.0
Travelled Distance of its Public Vehicles (km)	8,413.4	8,444.1
Passenger Traffic Volume (person-time)	306,533,900.0	310,250,000.0

The primary source of operating income from the public transportation business is ticket receipts. The Group also generates operating income from bus integrated circuit cards and chartered bus transport. The following table sets out a breakdown of the Group's total operating income from each source of the operating income from the public transportation business for the periods indicated:

	For the year ended 31 December	
Main Source	**2015**	**2016**
	(in RMB millions)	
Ticket Receipts	125.4	112.5
Bus Integrated Circuit Cards	75.2	84.2
Chartered Bus Transport	9.4	9.1
Total	**210.0**	**205.8**

Pricing

Due to the public service nature of the bus system in Yinchuan, the Yinchuan Municipal Government strictly controls ticket fares. As instructed by the Yinchuan Municipal Government, the Group adopted a flat rate system with the current bus ticket of RMB1.00 per person per ride which reflects the characteristics of public utilities. Bus integrated circuit card holders can enjoy a 10% off discount at peak hours and 30% off discount at normal hours.

Costs

The total costs that the Group incurs on a project is influenced by a variety of factors, including labour costs, fuel cost, bus depreciation, costs for bus maintenance and repairs, and insurance fee for incidents. For the year ended 31 December 2016, the Group's costs for its public transportation business was RMB578.2 million, representing an increase of 3.8% as compared to the year ended 31 December 2015.

The following table sets out a breakdown of the Group's total costs incurred in its public transportation business for the periods indicated:

	For the year ended 31 December			
	2015		**2016**	
Type	**(in RMB millions)**	**%**	**(in RMB million)**	**%**
Labour	300.9	54.0	296.7	51.3
Fuel	97.7	17.5	89.1	15.4
Bus Depreciation	75.7	13.6	106.8	18.5
Bus Maintenance and Repairs	26.7	4.8	14.9	2.6
Incident Insurance	3.1	0.6	2.9	0.5
Others	53.0	9.5	67.8	11.7
Total	**557.1**	**100**	**578.2**	**100**

Government Subsidies

Although the operating costs have increased recently due primarily to increases in fuel prices and labour costs, the ticket prices have not been adjusted by the Yinchuan Municipal Government accordingly. Despite the heavy passenger flow on the Group's bus system every day, operating income from ticket sales is historically unable to recover its operating costs due to the low ticket price. However, as mentioned above, the Yinchuan Municipal Government controls the ticket fares due to the public services nature of Yinchuan bus system, therefore, the Yinchuan Municipal Government subsidises the Group for its bus operations. For the years ended 31 December 2015 and 2016, the government subsidies received by the Group for its public transportation business amounted to RMB225.2 million and RMB223.4 million, respectively.

The following table sets out a breakdown of the Group's government subsidies received for its public transportation business for the periods indicated:

Type	For the year ended 31 December 2015	For the year ended 31 December 2016
	(in RMB millions)	
Bus Purchase Subsidies	39.9	19.3
Bus Operation Subsidies	178.4	190.0
Other Subsidies	6.9	14.1
Total	**225.2**	**223.4**

Gas Supply

Overview

The Group operates one of the primary liquefied gas providers in Yinchuan and offers the most comprehensive set of gas supply services in Yinchuan. It conducts its gas supply business primarily through Gas Heating Company, a wholly-owned direct subsidiary of Municipal Construction Company. Gas Heating Company is primarily engaged in the supply of bottled liquefied petroleum gas and compressed natural gas for automobiles for approximately 90,000 residents and some of the urban catering industry in Yinchuan.

In recent years, improvement has been made to the construction of natural gas networks for residents in Yinchuan and the newly developed zones in Yinchuan have generally been equipped with the networks of natural gas supply. Located in the Western China, Ningxia Hui Autonomous Region is close to the place of production and accordingly the price of natural gas at which it is made available is low comparing to most other parts of China. As such, the utilization rate of natural gas for residents has gradually increased while the user base of liquefied petroleum gas has gradually shrunk.

Currently, the major users of liquefied petroleum gas are concentrated in the old city zone. Were a large scale renovation to take place in the old city zone, the user base of gas supply for heating in Yinchuan will further reduce. However, as the urban construction and the renovation of the old city zone would require significant capital investment, any such development would be implemented in stages, and the sale of liquefied petroleum gas has recently remained stable.

For the years ended 31 December 2015 and 2016, the operating income derived from the Group's gas supply business was RMB77.3 million and RMB60.7 million, respectively, representing 3.6 per cent. and 2.7 per cent., respectively, of the Group's operating income. For the years ended 31 December 2015 and 2016, gross profit generated from the Group's gas supply business was RMB20.9 million and RMB13.6 million, respectively, representing 4.1 per cent. and 2.7 per cent., respectively, of the Group's total gross profits.

There are five onshore natural gas fields in China, namely, Shaanxi-Gansu-Ningxia Basin (also known as Ordos Basin), Sichuan Basin, Tarim Basin, Tsaidam Basin and Songliao Basin, of which Shaanxi-Gansu-Ningxia Gas Field has the largest proven reserves of approximately 1,600.0 billion cubic meters. Adjacent to Shaanxi-Gansu-Ningxia Gas Field and Changqing Oil Field, Yinchuan has natural gas transmission pipelines in place that can provide gas supply of 1.0 billion cubic meters per year. In addition, the natural gas reserves in Yinchuan are relatively rich, which provides natural resources and an excellent foundation for the development of the urban gas industry in Yinchuan. Furthermore, given its proximity to the "West-to-east Natural Gas Transmission (Line 1)" project, Yinchuan is able to obtain an adequate supply of natural gas in a fast and convenient manner, offering favourable conditions for the development of the coal gas industry in Yinchuan.

The following proposals are included in the 13th Five-Year Plan regarding economic and social development in Yinchuan for the period from 2016 to 2020: strengthening the construction of energy infrastructures, accelerating the construction of urban and rural power supply and gas pipeline networks and enhancing the storage capacity of energy so as to develop a safe and stable network for power and gas supply that covers the entire region. Therefore, it is expected that the natural gas supply in the Yinchuan will substantially increase, benefiting the Group's natural gas business.

Bottled Liquefied Petroleum Gas

For the bottled liquefied petroleum gas, the Group transmits any liquefied petroleum gas purchased to storage and distribution stations for storage and bottle-filling purposes, and then delivers bottled liquefied petroleum gas to local residents and industrial and commercial users. As at 31 December 2016, the Group had 12 liquefied gas supply stations and one liquefied gas bottle filling maintenance depot in three city-governed districts in Yinchuan (namely, Xingqing district (興慶區), Jinfeng district (金鳳區) and Xixia district (西夏區)) with a storage capacity of 1,200 tonnes and a daily bottle filling capacity of 50 tonnes, which provides the gas supply for over 90,000 urban and rural residents and the users of some of the urban catering industry in Yinchuan.

In order to ensure the stability of supply of the bottled liquefied petroleum gas, the Group enters into purchase agreements with Liquefied Petroleum Gas Ningxia branch of Petrochina Kunlun Gas Co., Ltd (中石油昆侖燃氣有限公司液化氣寧夏分公司) on an annual basis. The Group determines its annual procurement according to end-users' gas consumption in the previous year and the projected growth rate. For the years ended 31 December 2015 and 2016, the Group's total procurement of the bottled liquefied petroleum gas were 3,160 tonnes and 2,451 tonnes, respectively, which amounted to RMB9.6 million and RMB6.6 million, respectively.

For the years ended 31 December 2015 and 2016, the Group's total supply of the bottled liquefied petroleum gas to its customers were 3,404 tonnes and 2.393 tonnes, respectively, and its operating income from the supply of the bottled liquefied petroleum gas for automobiles amounted to RMB20.6 million and RMB16.2 million, respectively.

The following table sets out the details of the procurement volumes, average procurement price, sales volumes and average selling price for the bottled liquefied petroleum gas for the periods indicated:

	For the year ended 31 December	
	2015	**2016**
Procurement Volumes (tonnes)	3,160	2,451
Average Procurement Price (RMB/tonne)	3,400	3,000
Sales Volumes (tonnes)	3,404	2,393
Average Selling Price (RMB/tonne)	6,000	6,700

Compressed Natural Gas for Automobiles

For the compressed natural gas for automobiles, the Group transmits natural gas to various gas supply stations through urban gas pipelines, and offers refuelling service to vehicles by using gas dispensers after the natural gas along the pipe is compressed and stored in storage cylinders. As at 31 December 2016, the Group had three gas supply stations in Yinchuan with a daily gas filling capacity of 30,000 m^3. This equates to the demand of approximately 30% of the gas-fired vehicles currently operating in Yinchuan.

In order to ensure stability of supply of compressed natural gas for automobiles, the Group has entered into a long-term purchase agreement with Ningxia Hanas New Energy Group Natural Gas Co., Ltd. (寧夏哈納斯新能源集團天然氣有限公司). The Group determines its annual procurement according to end-users' gas consumption in the previous year and the projected growth rate. For the years ended 31 December 2015 and 2016, the Group's total procurement of the compressed natural gas for automobiles were 12.7 million m^3 and 10.0 million m^3, respectively, which amounted to RMB32.6 million and RMB19.3 million, respectively.

For the years ended 31 December 2015 and 2016, the Group's total supply of the compressed natural gas for automobiles were 13.3 million m^3 and 9.7 million m^3, respectively, and its operating income from the supply of the compressed natural gas for automobiles amounted to RMB40.9 million and RMB29.5 million, respectively.

The following table sets out the details of the procurement volumes, average procurement price, sales volumes and average selling price for the compressed natural gas for automobiles for the periods indicated:

	For the year ended 31 December	
	2015	**2016**
Procurement Volumes (m^3)	12,650,000	9,930,000
Average Procurement Price (RMB/m^3)	2.58	1.94
Sales Volumes (m^3)	13,280,000	9,730,000
Average Selling Price (RMB/m^3)	3.48	3.03

The Group is planning to acquire a certain well-established gas company in Yinchuan to further strengthen its market position in Yinchuan. The Group is also planning to construct more compressed natural gas supply stations in Yinchuan. By doing so, the Group will achieve an integrated business structure in natural gas industry covering upstream, midstream and downstream sectors.

Bookstore Operation

Overview

The Group is the largest state-owned bookstore operator in Yinchuan and its sales volume of books accounted for over 80% of the total sales volume of the region for the calendar year ended 31 December 2016. It conducts its bookstore business primarily through Bookstore Company. The Group's bookstore business includes sales of books, audio-visual products and stationery. Based on its 60 years of operating experience and with the strong support from the Yinchuan Municipal Government, the Yinchuan SASAC and the public, Bookstore Company has constantly improved its services and facilities, and enriched the collections of books, audio-visual products and stationery gradually according to readers' purchasing habits and preference. As a result, it has successfully maintained a steady growth of incomes amid the environment where a decline of sales was generally recorded in physical bookstores across the PRC.

For the years ended 31 December 2015 and 2016, the operating income derived from the Group's bookstore operation business was RMB104.3 million and RMB106.1 million, respectively, representing 4.8 per cent. and 4.8 per cent., respectively, of the Group's operating income. For the years ended 31 December 2015 and 2016, gross profit generated from the Group's bookstore operation business was RMB51.0 million and RMB30.9 million, respectively, representing 6.8 per cent. and 6.2 per cent., respectively, of the Group's total gross profits.

Sales

The Group operates its bookstore business through both physical and online bookstores.

As of 31 December 2016, the Group operated 9 physical stores in Yinchuan, with an aggregate area of approximately 1,100 square meters, and sells over 150,000 different titles of books and audio-visual products.

For online bookstores, the Group opened its official account on WeChat (微信), a popular Chinese messaging software, and Yinchuan Micro Bookstore (銀川微書城), enabling its readers to purchase books online for home delivery. These platforms also allow readers to post book reviews online and discuss with other readers on the online forum. The Group was the pioneer in adopting WeChat marketing in the book industry of Yinchuan.

For the sales of books, audio-visual products and stationery, the Group utilises its sophisticated inventory management platforms to manage pricing and inventory across all stores. The primary source of operating income from the Group's bookstore business is sales of books.

The following table sets out the details of the procurement volumes for each source of the operating income from the bookstore business for the periods indicated:

	For the year ended 31 December	
Source	**2015**	**2016**
Books (unit)	5,885,700	5,945,400
Audio-visual Products (unit)	30,800	23,500
Stationery (unit)	46,300	43,000

The following table sets out the details of the sales volumes for each source of the operating income from the bookstore business for the periods indicated:

	For the year ended 31 December	
Source	**2015**	**2016**
Books (unit)	5,876,100	5,925,900
Audio-visual Products (unit)	42,100	22,200
Stationery (unit)	46,200	43,000

The following table sets out the details of the operating income generated from each source of the operating income from the bookstore business for the periods indicated:

	For the year ended 31 December	
Source	**2015**	**2016**
	(in RMB millions)	
Books	100.3	109.1
Audio-visual Products	2.6	1.9
Stationery	17.3	17.2
Total	**120.2**	**128.2**

Merchandising and Supply Chain Management

The purchase of books, audio-visual products and stationery for our bookstore operations is made on a consolidated basis through the headquarter of Bookstore Company. Such products will then be delivered to chain stores through a specialized logistic distribution centre operated by Bookstore Company. The finance department of Bookstore Company makes settlement with its suppliers based on the actual number of purchases within the given credit period on a consolidated basis, and any unpopular books, audio-visual products and stationery may be also returned to suppliers within the given period.

The primary suppliers of books and audio-visual products to the Group include Chemical Industry Press (化學工業出版社), China Machine Press (機械工業出版社), People's Publishing House (人民出版社), Beijing Wusan Jindian Book Co., Ltd (北京五三金典圖書有限公司) and Beijing Architecture & Building Press (北京建築工業出版社). We generally enter into long-term supply contracts with our suppliers. The supply agreements set forth provisions covering the scope of products to be supplied, contract price, payment and delivery terms and termination. The Group's suppliers generally provide credit periods ranging from two to three years.

Other Businesses

The Group is also engaged in other business operations including, among others, secured transport service, sale of properties, tourism, advertising, property leasing and management, sewage treatment and financial services. For the years ended 31 December 2015 and 2016, the operating income derived from the Group's other business was RMB345.5 million and RMB408.1 million, respectively, representing

16.0 per cent. and 18.4 per cent., respectively, of the operating income for the Group's total operating income. For the years ended 31 December 2015 and 2016, gross profit generated from the Group's other business was RMB202.5 million and RMB262.7 million, respectively, representing 42.7 per cent. and 46.6 per cent., respectively, of the Group's total gross profits.

Secured Transport Service

The Group started its secured transport service in 2015, through Ningxia Jindunsiwei Security Escort Service Co., Ltd. (寧夏四維金盾保安押運服務有限公司) in which the Group holds 58.0 per cent. of equity interest. Ningxia Jindunsiwei Security Escort Service Co., Ltd. (寧夏四維金盾保安押運服務有限公司) is the largest secured transport service provider in Ningxia, covering approximately 60.0 per cent. of the total market share in secured transport service. For the years ended 31 December 2015 and 2016, the operating income derived from this business was RMB81.1 million and RMB84.3 million, respectively, representing 3.8 per cent. and 3.8 per cent., respectively, of the operating income for the Group's total operating income.

Real Property

The Group started its real property business in 2015, primarily through Yinchuan City Land Development Co., Ltd. (銀川城投置地開發有限公司), a wholly-owned direct subsidiary of Municipal Construction Company. It is primarily engaged in real property development, sales and management. This business currently primarily consists of the sale of the second stage of Yinchuan Wenhuacheng (銀川文化城). For the years ended 31 December 2015 and 2016, the operating income derived from this business was RMB110.0 million and RMB59.4 million, respectively, representing 5.3 per cent. and 2.9 per cent., respectively, of the operating income for the Group's total operating income.

Tourism

The Group started its tourism business in 2014, primarily through its wholly-owned direct subsidiary, Yinchuan the Western Xia Regime Cemetery Culture Tourism Investment Co., Ltd. (銀川西夏陵文化旅遊投資有限公司), which is primarily engaged in tourism business in relation to Western Xia Cemetery (西夏陵). For the years ended 31 December 2015 and 2016, the operating income derived from this business was RMB23.9 million and RMB22.7 million, respectively, representing 1.2 per cent. and 1.1 per cent., respectively, of the operating income for the Group's total operating income.

Quality, Safety and Environmental Protection

The Group has established and implemented a group-wide quality, safety and environmental protection control management system pursuant to the requirements of ISO9001 standards. The management system specifies the standards to be met in terms of quality, safety and environmental protection control, clarifies the responsibility of various departments and personnel, identifies procedures, materials and other factors that are subject to the control of management, and provides for measures to be undertaken to ensure that various standards are met.

The Group imposes safety and anti-pollution measures, as well as regular internal safety and environmental inspections at all stages of its operational process to minimise the possibility of work-related accidents and injuries, occupational illness and environmental contamination. The Group also monitors the safety and environmental protection aspects of its sub-contractors' operations. In addition, it provides safety education to employees and has established safety standards in relation to matters such as purchasing, installing and operating new equipment, constructing new facilities and improving existing facilities.

The Group believes that its safety control systems, environmental protection systems and facilities are adequate to comply with applicable PRC national and local regulations. As at the date of this Offering Circular, the Group is not aware of any penalties associated with any material breach of or noncompliance with any environmental laws and regulations.

Intellectual Property

The Group places great importance on the invention, application, management and protection of intellectual property rights. Through its ordinary course of business, the Group has obtained various intellectual property rights which are valuable to its business. The Group protects and will continue to seek to protect these intellectual property rights through copyrights, patents, trademarks and other contractual rights.

Employees

As at 31 December 2016, the Group had approximately 7,700 employees.

In accordance with the applicable regulations of local governments in regions in which the Group has business operations, the Group makes contributions to the pension contribution plan, medical insurance, unemployment insurance, maternity insurance and personal injury insurance. The amount of contributions is based on the specified percentages of employees' aggregate salaries as required by relevant PRC authorities. The Group also makes contributions to an employee housing fund according to applicable PRC regulations. In addition to statutory contributions, the Group provides annual bonuses and supplemental commercial insurance policies to employees.

The Group enters into an employment contract with each of its employees in accordance with applicable PRC laws. Such contracts include provisions on wages, vacation, employee benefits, training programmes, health and safety, confidentiality obligations and grounds for termination.

Insurance

The Group is required to obtain contractors all-risk and third-party liability insurance for most of the projects it undertakes. Such policies generally extend for the entire contract period, including the maintenance period following completion of the project. In addition, with regard to its construction business, the Group generally purchases insurance for its fixed assets, such as its key equipment, stock and office buildings. The Group also purchases pension insurance, unemployment insurance and medical insurance for its employees according to the relevant PRC laws and regulations. The Group maintains insurance coverage in amounts that it believes are consistent with its risk of loss and industry practice.

Consistent with what the Group believes to be customary practice in the PRC, it does not carry any business interruption insurance, key-man insurance or insurance covering potential environmental damage claims. Such insurance is not mandatory under the laws and regulations of the PRC, and such insurance is either unavailable in the PRC or requires substantial cost.

Legal Proceedings and Regulatory Compliance

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

The board of directors (the "**Board**") of the Company currently consists of three directors, two of which are designated representative who may be elected and removed by the Yinchuan SASAC and one of which is representative of the employees and was elected by the Company's labour union. The principal focus of the Board is on overall strategic development, internal control system and risk management system. The Board provides guidance on business plans, monitors the results of such plans implemented by the management, reviews and approves its financial objectives and major financial activities.

The members of the Board as of the date of this Offering Circular are as follows:

Name	Age	Title
ZHANG Honglin	60	Legal Representative, Chairman of the Board
YAN Xiaojun	46	Director
ZHOU Zhibin	48	Employee Director, Deputy General Manager

Mr. ZHANG Honglin (張洪林), aged 60, has served as the Chairman of the Board since March 2015. Prior to becoming the Chairman of the Board, Mr. ZHANG served as a technician of Linhe Electrical Service Section of Hohhot Railways Bureau, chief of Management Institute of Yinchuan Water Supply Company, deputy chief of Yinchuan Municipal Administration Office, member of Party Committee and deputy general manager of Yinchuan Water Supply Company, deputy secretary of Party Committee and general manager of Yinchuan Water Supply Company, and general manager and secretary of Party Committee of Yinchuan Urban Construction Investment Holdings Co., Ltd. Mr. ZHANG obtained a master's degree.

Mr. YAN Xiaojun (閆曉軍), aged 46, has served as a Director of the Board since March 2015. Prior to that, Mr. YAN served as deputy general manager of Yinchuan Jindun Security Escort & Guard Service Center, member of Party Committee and deputy general manager of Yinchun Security Service Co., Ltd., and member of Party Committee and deputy general manager of Yinchuan Security Service Company (concurrently served as deputy general manager of Ningxia Siwei Jindun Security Escort Service Co., Ltd.). Mr. YAN obtained a bachelor's degree.

Mr. ZHOU Zhibin (周志斌), aged 48, has served as a Director of the Board and deputy general manager of the Company since March 2015. Prior to that, Mr. ZHOU served as leader of construction team in Installation Division of Yinchuan Water Supply Company, deputy chief, chief and secretary of Party Branch of Material Section of Yinchuan Water Supply Company, manager of Xingqing District Marketing Company under Yinchuan Water Supply Company, manager of Xixia District Marketing Company under China Railway Water Company, general manager of Yinchuan Yinquan Industrial Co., Ltd. and employee director of China Railway Water Company. Mr. ZHOU obtained a diploma's degree and is an economist.

SUPERVISORS

The board of supervisors shall consist of five supervisors according to the memorandum and articles of association of the Company. However, as the appointment of three candidates are in the process of being approved by the Yinchuan SASAC as of the date of this Offering Circular, the board of supervisors currently consists of two supervisors, one of whom is the designated representative who may be appointed and removed by the Yinchuan SASAC and the other is the representative of employees and was elected by the Company's labour union. The board of supervisors is responsible for monitoring the Company's financial matters and overseeing the actions of the board of directors and the management of the Company.

The supervisors of the Company as of the date of this Offering Circular are as follows:

Name	Age	Title
YAN Jing.	48	Chairman of the Supervisor Committee
SUN Shijie.	27	Employee Supervisor

Ms. YAN Jing (閆靜), aged 48, has served as the Chairman of the Supervisor Committee since March 2015. Prior to that, Ms. YAN served as deputy chief of General Office and deputy secretary of Party Branch of Yinchuan Water Supply Company, and deputy chief of General Office and deputy secretary of Party Branch of China Railway Water Company. Ms. YAN obtained a bachelor's degree and is a senior economist.

Mr. SUN Shijie (孫士傑), aged 27, has served as the employee supervisor of the Company since March 2015. Prior to that, Mr. SUN served as employee of Municipal Construction Company and China Aluminum Ningxia Energy Group Co., Ltd. Mr. SUN obtained a diploma's degree.

SENIOR MANAGEMENT

The management of the Company operates under the direction of the Board and is headed by the general manager of the Company. Managers can be appointed or removed by the Board. General managers are typically appointed for three-year terms, which may be extended by reappointment by the Board.

The table below sets forth certain information with respect to the Company's senior management members.

Name	Age	Title
ZHANG Honglin.	60	Chairman of the Board, General Manager
ZHOU Zhibin	48	Employee Director, Deputy General Manager
MAI Guizhen	52	Chief Financial Officer
LIANG Lei.	35	Assistant to General Manager and Financial Audit Minister

Mr. ZHANG Honglin – see "– Directors" above.

Mr. ZHOU Zhibin – see "– Directors" above.

Ms. MAI Guizhen (麥桂珍), aged 52, has served as the Chief Financial Officer of the Company since April 2015. Prior to that, Ms. MAI served as chief financial officer of Public Transportation Company and chief financial officer of Yinchuan Urban Construction Investment Holdings Co., Ltd. Ms. MAI obtained a bachelor's degree and is an intermediate accountant.

Mr. LIANG Lei (梁雷), aged 35, has served as assistant to general manager and financial audit minister of the Company since March 2017. Prior to that, Mr. LIANG served as deputy minister of financial audit department of the Company and accountant of Public Transportation Company. Mr. LIANG obtained a master's degree and is an intermediate accountant.

REGULATION AND SUPERVISION IN THE PRC

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

NDRC CIRCULAR REGARDING OVERSEAS FINANCING

The NDRC Circular relates to the matters as listed below:

- remove the quota review and approval system for the issuance of foreign debts by enterprises, reform and innovate the ways that foreign debts are managed, and implement the administration of record-filing and the registration system. Realise the supervision and administration of the size of foreign debts borrowed on a macro level with the record-filing, registration, and information reporting of the issuance of foreign debts by enterprises;

- before the issuance of foreign debts, enterprises shall first apply to the NDRC for the handling of the record-filing and registration procedures and shall report the information on the issuance to NDRC within 10 working days of completion of each issuance;

- record-filing and registration materials to be submitted by an enterprise for the issuance of foreign debts shall include: application report for the issuance of foreign debts and issuance plan, including the currency, size, interest rate, and maturity of foreign debts, the purpose of the funds raised, back flow of funds, etc. The applicant shall be responsible for the authenticity, legality, and completeness of the application materials and information;

- the NDRC shall decide whether to accept the application for record-filing and registration within 5 working days of receiving it and shall issue a Certificate for Record-filing and Registration of the Issuance of Foreign Debts by Enterprises within 7 working days of accepting the application and within the limit of the total size of foreign debts;

- the issuer of foreign debts shall handle the procedures related to the outflow and inflow of foreign debt funds with the Certificate for Record-filing and Registration according to the regulations. When the limit of the total size of foreign debts is exceeded, the NDRC shall make a public announcement and no longer accept applications for record-filing and registration; and

- if there is a major difference between the actual situation of the foreign debts issued by the enterprises and the situation indicated in the record-filing and registration, an explanation shall be given when reporting relevant information. The NDRC shall enter the poor credit record of an enterprise which maliciously and falsely reports the size of its foreign debts for record-filing and registration into the national credit information platform.

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

PBOC Circular Regarding Cross-border Financing

In early 2016, PBOC introduced a pilot macro-prudential management system for cross-border financing (the "MP Financing Management System") which specifically applied to 27 designated banks and non-financial enterprises registered in four free trade zones in Shanghai, Tianjin, Guangdong and Fujian (the

"**FTZ**"). On 29 April 2016, the PBOC issued the Circular on Implementing Overall Macroprudential Management System for Nationwide Cross-border Financing (《中國人民銀行關於在全國範圍內實施全口徑跨境融資宏觀審慎管理的通知》)(the "2016 PBOC Circular") to extend the MP Financing Management System nationwide. On 11 January 2017, the PBOC issued the Notice on the Relevant Issues of the Full Scale Macro-prudential Management of Cross-border Financing (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》(銀發[2017]9號))(the "2017 PBOC Circular"), which came into effect on the same day. Under the 2017 PBOC Circular, enterprises are required to file with SAFE after a cross-border financing agreement is signed and at least three working days prior to the drawdown of the loan or issue of debt securities, and report the relevant capital settlement information after making such capital settlement. In addition, the enterprises are also required to update the information with respect to the cross-border financing every year. In the event that the audited net assets, or the creditor, loan terms, amount or interest rate of the cross-border financing agreement changes, the enterprises are required to complete the change of the filing in due course. The 2017 PBOC Circular is a new regulation and is subject to interpretation and application by relevant PRC authorities.

TAXATION

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

PRC

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

Enterprise Income Tax

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

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

VAT

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

According to Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Bonds is likely to be treated as the holders of the Bonds providing loans to the Company, which thus shall be regarded as financial services subject to VAT. Further, given that the Company is located in the PRC, the holders of the Bonds would be regarded as providing the financial services within China and consequently, the holders of the Bonds shall be subject to VAT at the rate of 6% when receiving the interest payments under the Bonds. In addition, the holders of the Bonds shall be subject to the local levies at approximately 12% of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.72%. Given that the Company pays interest income to Bondholders who are located outside of the PRC, the Company, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Bondholders who are located outside of the PRC.

Where a holder of the Bonds who is an entity or individual located outside of the PRC resells the Bonds to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and the Company does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC.

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

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

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

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

Hong Kong

Withholding tax

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

Stamp duty

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

The European Union

The Proposed Financial Transactions Tax ("FTT")

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

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

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

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

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

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "**foreign financial institution**" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including Germany) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to 1 January 2019 and Bonds issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional bonds (as described under "Terms and Conditions – Further Issues of Bonds, Purchases and Cancellation") that are not distinguishable from previously issued Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Bonds, including the Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Bonds, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Sole Global Coordinator and the Joint Lead Managers and Joint Bookrunners dated 18 July 2017 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Sole Global Coordinator and the Joint Lead Managers and Joint Bookrunners, and the Sole Global Coordinator and the Joint Lead Managers and Joint Bookrunners have agreed to, subscribe and pay for or to procure subscribers to subscribe and pay for, the Bonds at an issue price of 3.50 per cent. of their principal amount indicated in the following table.

	Principal amount of the Bonds to be subscribed
	U.S.$
Bank of China Limited	200,000,000
Société Générale	100,000,000
Total	**300,000,000**

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

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

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

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

General

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

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

United States

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

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

United Kingdom

The Sole Global Coordinator and the Joint Lead Managers and Joint Bookrunners have represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

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

Hong Kong

The Sole Global Coordinator and the Joint Lead Managers and Joint Bookrunners have represented, warranted and undertaken that

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

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

The People's Republic of China

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

Singapore

The Sole Global Coordinator and the Joint Lead Managers and Joint Bookrunners have acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Sole Global Coordinator and the Joint Lead Managers and Joint Bookrunners have represented, warranted and undertaken that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase, and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

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

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

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interests (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

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

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

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

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

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

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended) (the "**Financial Instruments and Exchange Act**") and, accordingly, each of the Sole Global Coordinator and the Joint Lead Managers and Joint Bookrunners 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 Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Financial Instruments and Exchange Act and other relevant laws, regulations and ministerial guidelines of Japan.

United Arab Emirates (the "UAE")

The offering of the Bonds has not been approved or licensed by the UAE Central Bank or the UAE Securities and Commodities Authority (the "**SCA**"), and accordingly does not constitute a public offer of securities in the UAE in accordance with the commercial companies law, Federal Law No. 2 of 2015 (as amended), SCA Resolution No. 3 R.M. of 2017 Regulating Promotions and Introductions or otherwise. Accordingly, the notes may not be offered to the public in the UAE.

This Offering Circular is strictly private and confidential and is being issued to a limited number of institutional and individual investors:

(a) who meet the criteria of a Qualified Investor as defined in SCA Resolution No. 3 R.M. of 2017 (except natural persons) or who otherwise qualify as sophisticated investors;

(b) upon their request and confirmation that they understand that the notes have not been approved or licensed by or registered with the UAE Central Bank or the SCA; and

(c) must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose.

GENERAL INFORMATION

1. **Clearing Systems**: The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 164082016 and the International Securities Identification Number for the Bonds is XS1640820160.

2. **Authorisations**: The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was approved by the Yinchuan SASAC on 20 January 2017. The issue of the Bonds and the entry into the transaction documents in connection with the Bonds were authorised by resolutions of the Board of Directors of the Issuer on 29 June 2017.

3. **No Material Adverse Change**: There has been no material adverse change, or any development reasonably likely to involve an adverse change, in the financial or trading position, prospects or results of operations of the Issuer since 31 December 2016.

4. **Litigation**: None of the Issuer or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer believes are material in the context of the Bonds, neither the Issuer is aware that any such proceedings are pending or threatened.

5. **Available Documents**: Copies of the Company's Consolidated Financial Statements, the Trust Deed, the Agency Agreement and the Articles of Association of the Issuer will be available for inspection in physical form from the Issue Date at the Trustee's principal office at One Canada Square, London E14 5AL, United Kingdom during normal business hours, so long as any of the Bonds is outstanding.

6. **Financial Statements**: The Company's Consolidated Financial Statements have been audited by Da Hua, as stated in its report appearing therein. The Company's Consolidated Financial Statements are prepared in accordance with PRC GAAP. These consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions.

7. **Listing**: An application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to professional investors only. It is expected that dealing in, and listing of, the Bonds on the Hong Kong Stock Exchange will commence on or around 28 July 2017. Application will be made: (i) to the DFSA for the Bonds to be admitted to the official list of securities maintained by the DFSA; and (ii) to NASDAQ Dubai for Bonds issued by the Issuer to be admitted to trading on NASDAQ Dubai.

INDEX TO FINANCIAL STATEMENTS

Page

The consolidated financial statements of the Group as at and for the year ended 31 December 2016

AUDITORS' REPORT F-2

AUDITED FINANCIAL STATEMENTS

Consolidated Balance Sheet F-4

Consolidated Income Statement F-6

Consolidated Statement of Cash Flows F-7

Consolidated Statement of Changes in Equity F-8

Balance Sheet F-10

Income Statement F-12

Statement of Cash Flows F-13

Statement of Changes in Equity F-14

Bonds to the Financial Statements F-16

INDEPENDENT AUDITORS' REPORT

D.H.S.Z. [2017]002711

To the Yinchuan Tonglian Capital Investment Operation Co., Ltd.:

We have audited the financial statements of Yinchuan Tonglian Capital Investment Operation Co., Ltd. ("Tonglian" hereafter), including consolidated balance sheets and balance sheets of Tonglian as at 31 December 2016, the consolidated income statements and income statement of Tonglian, consolidated statements of changes in equity and statement of changes in equity of Tonglian, and consolidated cash flow statements and cash flow statement of Tonglian for the year ended 31 December 2016, and notes to financial statement.

I. Management's responsibility to the financial statements

Tonglian's management is responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards issued by the Chinese Accounting Standards Board, and for such internal control of design, implement and maintenance as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

II. Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our procedures conducted in accordance with "China Standards on Auditing". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

III. Audit Opinion

In our opinion, Tonglian's financial statements present fairly, in all material respects, the consolidated financial position and the financial position of Tonglian as of 31 December 2016, the results of the operations and cash flows of the consolidated group and Tonglian for the year then ended in conformity with Accounting Standards for Business Enterprises.

Da Hua Certified Public Accountants

(Special General Partnership)

Beijing, China

Certified Public Accountants:

中国
注册会计师
马宁
110001610033

Certified Public Accountants:

中国
注册会计师
赵玮
110000152712

25 February 2017

YINCHUAN TONGLIAN CAPITAL INVESTMENT OPERATION CO.,LTD

Consolidated Balance Sheet

As of 31 December 2016

Unit: RMB

Assets	Note	31 Dec 2016	31 Dec 2015
Current assets:			
Currency Funds	Note 1	3,038,306,964.50	5,232,692,646.91
Financial assets measured at fair value through profit or loss for the current period			
Derivative financial assets			
Notes receivable	Note 2	350,000.00	265,000.00
Accounts receivable	Note 3	83,334,751.37	283,942,535.31
Prepayments	Note 4	5,734,686,510.47	9,476,806,640.76
Interest receivable	Note 5		195,990.95
Dividends receivable	Note 6	3,927,000.00	
Other receivables	Note 7	4,402,078,110.89	9,497,526,574.27
Inventories	Note 8	812,144,737.08	754,463,299.95
Non-current assets classified as held for sale and assets included in disposal groups classified as held for sale			
Current portion of non-current assets			
Other current assets	Note 9	907,337,049.65	358,588,113.56
Total current assets		14,982,165,123.96	25,604,480,801.71
Non-current assets:			
Available-for-sale financial assets	Note 10	8,385,029,416.00	2,353,780,400.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	Note 11	1,242,139,490.77	464,896,638.20
Investment properties	Note 12	67,847,596.24	27,913,198.79
Fixed assets	Note 13	2,386,444,021.68	2,438,461,964.31
Construction in progress	Note 14	9,599,605,996.14	8,681,647,593.82
Construction materials			
Fixed assets pending for disposal			
Biological assets			
Oil and gas assets			
Intangible assets	Note 15	4,620,615,924.98	5,760,556,149.96
Development disbursements			
Goodwill			
Long-term deferred expenses	Note 16	10,022,618.39	14,751,885.12
Deferred tax assets	Note 17	1,270,229.54	1,514,231.26
Other non-current assets	Note 18	9,986,990.00	9,986,990.00
Total non-current assets		26,322,962,283.74	19,753,509,051.46
Total assets		41,305,127,407.70	45,357,989,853.17

Legal Representative: 张林 印洪

Chief Finance Officer: 麦珍 印桂

Finance Manager: 梁之 印雷

YINCHUAN TONGLIAN CAPITAL INVESTMENT OPERATION CO.,LTD

Consolidated Balance Sheet (Continue)

As of 31 December 2016

Unit: RMB

Liabilities and Owner's Equity	Note	31 Dec 2016	31 Dec 2015
Current liabilities:			
Short-term borrowings	Note 21	1,010,000,000.00	2,647,960,873.00
Financial liabilities measured at fair value through profit or loss for the current period			
Derivative financial liabilities			
Notes payable	Note 22	50,000,000.00	30,000,000.00
Accounts payable	Note 23	291,536,492.60	262,506,559.79
Receipts in advance	Note 24	211,497,156.53	199,993,182.25
Employee benefits payable	Note 25	28,929,086.83	23,529,729.62
Tax Payables	Note 26	438,616,946.18	356,231,518.99
Interest payable	Note 27	307,305,859.23	300,062,635.48
Dividends payable			
Other payables	Note 28	3,066,450,558.23	1,987,995,227.41
Liabilities included in disposal groups classified as held for sale			
Current portion of non-current liabilities	Note 29	2,348,958,951.08	920,531,250.24
Other current liabilities	Note 30	500,000,000.00	
Total current liabilities		8,253,295,050.68	6,728,810,976.78
Non-current liabilities:			
Long-term borrowings	Note 31	3,190,602,654.78	11,735,639,966.11
Bonds payable	Note 32	7,623,143,565.24	7,598,757,698.56
Long-term payables			
Long-term employee benefits payable			
Grants payable	Note 33	273,349,925.18	117,995,657.81
Provisions			
Deferred revenue	Note 34	22,402,841.60	7,286,475.85
Deferred tax liabilities	Note 17	5,504,974.97	8,214,161.05
Other non-current liabilities	Note 35	562,100,000.00	273,100,000.00
Total non-current liabilities		11,677,103,961.77	19,740,993,959.38
Total liabilities		19,930,399,012.45	26,469,804,936.16
Owner's Equity:			
Paid-in capital	Note 36	12,705,600,000.00	10,055,600,000.00
Other equities			
Including: Preference share			
Perpetual Bond			
Capital reserves	Note 37	6,161,714,526.22	6,731,955,997.78
Less: Treasury Stock			
Other Comprehensive Income			
Including: Foreign currency translation adjustments			
Specialized reserve	Note 38	2,769,497.48	1,663,724.00
Surplus reserve	Note 39	3,126,655.99	97,388.91
Unappropriated profit	Note 40	755,628,105.26	298,071,162.85
Equity attributable to parent company		19,628,838,784.95	17,087,388,273.54
*Non-Controlling interests		1,745,889,610.30	1,800,796,643.47
Total owner's equity		21,374,728,395.25	18,888,184,917.01
Total liabilities and owner's equity		41,305,127,407.70	45,357,989,853.17

Legal Representative: 张洪林印 Chief Finance Officer: 麦桂珍印 Finance Manager: 梁雷之印

YINCHUAN TONGLIAN CAPITAL INVESTMENT OPERATION CO.,LTD
Consolidated Income statement
For the year 2016

Unit: RMB

Item	Note	Current Year	Previous Year
Ⅰ.Revenue		2,221,014,627.65	2,152,775,889.61
Including: Operating income	Note 41	2,221,014,627.65	2,152,775,889.61
Ⅱ.Total cost		2,539,053,920.10	2,202,768,111.25
Including: Operating costs	Note 41	1,723,911,945.44	1,640,769,883.89
Tax and surcharge	Note 42	27,722,575.21	57,441,755.14
Selling and distribution expenses	Note 43	177,126,796.28	158,176,719.34
Administrative expenses	Note 44	172,572,894.07	197,613,147.83
Financial expenses	Note 45	438,273,554.48	148,071,635.46
Impairment loss of assets	Note 46	-553,845.38	694,969.59
Add: Gains from changes in fair values ("-"for losses)			
Investment income ("-"for loss)	Note 47	18,760,969.54	-11,816,548.20
Including: investment income from associates and joint ventures			
Ⅲ.Operating profits ("—"for loss)		-299,278,322.91	-61,808,769.84
Add: Non-operating income	Note 48	793,298,495.88	555,684,060.94
Including: Gains from disposal of non-current assets		1,440,388.36	960,619.02
Less: Non-operating expenses	Note 49	5,410,446.05	17,167,391.69
Including: Losses from disposal of non-current assets		4,442,581.74	15,052,964.61
Ⅳ.Profit before tax ("—" for loss)		488,609,726.92	476,707,899.41
Less: Income tax expenses	Note 50	70,574,443.04	68,496,276.13
Ⅴ.Net profit ("—"for loss)		418,035,283.88	408,211,623.28
Net profit attributable to parent company		461,116,743.67	298,165,264.18
*Non-controlling interests		-43,081,459.79	110,046,359.10
Ⅵ.Other comprehensive income, net of income tax effect			-
(I). Other comprehensive income that will not be reclassified subsequently to profit or loss			-
Including: i. Gains or losses from revaluation on net defined benefit plan liability or asset			
ii. Share of other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit or loss			
(II). Other comprehensive income that will be reclassified subsequently to profit or loss		-	
Including: i. Share of other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss		-	
ii. Gains or losses from fair value changes on available-for-sale financial assets		-	
iii. Gains or losses from reclassification of held-to-maturity investment to available-for-sale financial assets		-	
iv. The effective cash flow hedging gain or loss		-	
v. Foreign currency translation adjustments		-	
Ⅶ.Total comprehensive income		418,035,283.88	408,211,623.28
Total comprehensive income attributable to parent company		461,116,743.67	298,165,264.18
*Total comprehensive income attributable to non-controlling interests		-43,081,459.79	110,046,359.10
Ⅷ.Earnings per share:			
Basic earnings per share			
Diluted earnings per share			

Legal Representative: 张洪林印

Chief Finance Officer: 麦桂珍印

Finance Manager: 梁雷之印

YINCHUAN TONGLIAN CAPITAL INVESTMENT OPERATION CO.,LTD

Consolidated Cash Flow Statement

For the year 2016

Unit: RMB

Item	Note	Current Year	Previous Year
Ⅰ.Cash flows from operating activities:			
Cash received from sales and services		1,239,569,811.06	1,130,680,064.25
Tax refunds			
Cash generated from other operating activities	Note 51.4	5,997,961,793.80	2,901,618,123.38
Total cash inflows from operating activities		7,237,531,604.86	4,032,298,187.63
Cash paid for goods and services		486,673,024.34	542,207,874.47
Cash paid to and on behalf of employees		547,153,207.14	493,077,909.89
Payment of taxes and surcharges		84,236,688.10	73,860,625.57
Cash used in other operating activities	Note 51.5	4,924,975,930.67	1,900,295,385.97
Total cash outflows from operating activities		6,043,038,850.25	3,009,441,795.90
Net cash flows from operating activities		1,194,492,754.61	1,022,856,391.73
Ⅱ.Cash flows from investing activities:			
Cash received from disposal of investments		477,400,000.00	433,220,000.00
Cash received from returns on investments		18,225,275.50	6,353,929.65
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		1,414,789.28	533,916.12
Net cash received from disposal of subsidiaries and other business units		275,000.00	
Cash generated from other investing activities	Note 51.6	292,598,397.41	2,364,188,936.03
Total cash inflows from investing activities		789,913,462.19	2,804,296,781.80
Cash paid for fixed assets, intangible assets and other long-term assets		3,380,784,894.82	9,298,350,057.68
Cash payments for investments		2,924,600,000.00	3,176,208,804.05
Net cash paid for acquiring subsidiaries and other business units			150,915,956.35
Cash used in other investing activities	Note 51.7	752,759,890.78	6,453,117,501.34
Total cash outflows from investing activities		7,058,144,785.60	19,078,592,319.42
Net cash flows from investing activities		-6,268,231,323.41	-16,274,295,537.62
Ⅲ.Cash flows from financing activities:			
Cash proceeds from investments by others		7,772,540,000.00	7,340,400,000.00
Including: cash received by subsidiaries from non-controlling shareholders' investment		2,850,000.00	284,800,000.00
Cash received from borrowings		1,982,521,105.00	13,765,236,667.00
Cash generated from other financing activities	Note 51.8	124,545,113.10	1,166,541,492.63
Total cash inflows from financing activities		9,879,606,218.10	22,272,178,159.63
Cash repayments for debts		5,806,358,588.14	3,022,912,913.02
Cash payments for distribution of dividends, profit and interest expenses		737,112,277.73	776,431,863.69
Including: dividends or profit paid by subsidiaries to non-controlling shareholders			34,497,824.49
Cash used in other financing activities	Note 51.9	3,921,012.56	28,368,280.00
Total cash outflows from financing activities		6,547,391,878.43	3,827,713,056.71
Net cash flows from financing activities		3,332,214,339.67	18,444,465,102.92
Ⅳ.Effect of foreign exchange rate changes on cash and cash equivalents			
Ⅴ.Net increase in cash and cash equivalents	Note 51.1	-1,741,524,229.13	3,193,025,957.03
Add: Cash and cash equivalents at beginning of year	Note 51.3	4,730,281,335.00	1,537,255,377.97
Ⅵ. Cash and cash equivalents at end of year	Note 51.3	2,988,757,105.87	4,730,281,335.00

Legal Representative: 张洪林印 Chief Finance Officer: 麦桂珍印 Finance Manager: 梁雷之印

YINCHUAN TONGLIAN CAPITAL INVESTMENT OPERATION CO.,LTD
Consolidated Statement of Changes in Owner's Equity
For the year 2016

Unit：RMB

Item	Note	Current Year											
		Equity attributable to parent company											
		Paid-in capital	Other equities	Capital reserve	Less: treasury stock	Other Comprehensive Income	Specialized reserve	Surplus reserve	Unappropriated profit	Others	Subtotal	Non-controlling interests	Total owner's equity
Ⅰ.Closing balance of prior year		10,055,600,000.00		6,731,955,997.78			1,663,724.00	97,388.91	298,071,162.85		17,087,388,273.54	1,800,796,643.47	18,888,184,917.01
Add: Changes in accounting policies													
Corrections of errors in Prior Period													
Others													
Ⅱ.Opening balance of current year		10,055,600,000.00		6,731,955,997.78			1,663,724.00	97,388.91	298,071,162.85		17,087,388,273.54	1,800,796,643.47	18,888,184,917.01
Ⅲ.Increase/decrease for current year ("-"for decrease)		2,650,000,000.00		-570,241,471.56			1,105,773.48	3,029,267.08	457,556,942.41		2,541,450,511.41	-54,907,033.17	2,486,543,478.24
(I).Total comprehensive income									461,116,743.67		461,116,743.67	-43,081,459.79	418,035,283.88
(II).Capital contributions and withdrawals by owners		2,650,000,000.00		-570,241,471.56							2,079,758,528.44	-11,825,573.38	2,067,932,955.06
i.Capital contributions from owners		2,650,000,000.00									2,650,000,000.00	17,850,000.00	2,667,850,000.00
ii.Capital contributions from other equity instrument holders													
iii.Share-based payment recorded in owner's equity													
iv.Others				-570,241,471.56							-570,241,471.56	-29,675,573.38	-599,917,044.94
(III).Specialized reserve							1,105,773.48				1,105,773.48		1,105,773.48
i.Appropriation to Current year							1,429,659.42				1,429,659.42		1,429,659.42
ii.Current year deployment							-323,885.94				-323,885.94		-323,885.94
(IV).Profits distribution								3,029,267.08	-3,559,801.26		-530,534.18		-530,534.18
i.Appropriation to surplus reserve								3,029,267.08	-3,029,267.08				
ii.Distribution to owners/shareholders									-530,534.18		-530,534.18		-530,534.18
iii.Others													
(V).Transfer within owner's equity													
i.Capital reserve transferred to paid-in capital													
ii.Surplus reserve transferred to paid-in capital													
iii.Recover of loss by surplus reserve													
iv.Gains or losses from revaluation on net defined benefit plan liability or asset													
v.Others													
Ⅳ.Closing balance of current year		12,705,600,000.00		6,161,714,526.22			2,769,497.48	3,126,655.99	755,628,105.26		19,628,838,784.95	1,745,889,610.30	21,374,728,395.25

Legal Representative:　　　　Chief Finance Officer:　　　　Finance Manager:

YINCHUAN TONGLIAN CAPITAL INVESTMENT OPERATION CO.,LTD
Consolidated Statement of Changes in Owner's Equity
For the year 2016

Unit: RMB

Item	Note	Previous Year											
		Equity attributable to parent company											
		Paid-in capital	Other equities	Capital reserve	Less: treasury stock	Other Comprehensive Income	Specialized reserve	Surplus reserve	Unappropriated profit	Others	Subtotal	Non-controlling interests	Total owner's equity
Ⅰ.Closing balance of prior year								328.76	2,958.82		3,287.58		3,287.58
Add: Changes in accounting policies													
Corrections of errors in Prior Period													
Others													
Ⅱ.Opening balance of current year								328.76	2,958.82		3,287.58		3,287.58
Ⅲ.Increase/decrease for current year ("-"for decrease)		10,055,600,000.00		6,731,955,997.78			1,663,724.00	97,060.15	298,068,204.03		17,087,384,985.96	1,800,796,643.47	18,888,181,629.43
(Ⅰ).Total comprehensive income									298,165,264.18		298,165,264.18	110,046,359.10	408,211,623.28
(Ⅱ).Capital contributions and withdrawals by owners		10,055,600,000.00		6,731,955,997.78							16,787,555,997.78	1,690,750,284.37	18,478,306,282.15
i.Capital contributions from owners		10,055,600,000.00									10,055,600,000.00	461,700,000.00	10,517,300,000.00
ii.Capital contributions from other equity instrument holders													
iii.Share-based payment recorded in owner's equity													
iv.Others				6,731,955,997.78							6,731,955,997.78	1,229,050,284.37	7,961,006,282.15
(Ⅲ).Specialized reserve							1,663,724.00				1,663,724.00		1,663,724.00
i.Appropriation to Current year							1,663,724.00				1,663,724.00		1,663,724.00
ii.Current year deployment													
(Ⅳ).Profits distribution								97,060.15	-97,060.15				
i.Appropriation to surplus reserve								97,060.15	-97,060.15				
ii.Distribution to owners/shareholders													
iii.Others													
(Ⅴ).Transfer within owner's equity													
i.Capital reserve transferred to paid-in capital													
ii.Surplus reserve transferred to paid-in capital													
iii.Recover of loss by surplus reserve													
iv.Gains or losses from revaluation on net defined benefit plan liability or asset													
v.Others													
Ⅳ.Closing balance of current year		10,055,600,000.00		6,731,955,997.78			1,663,724.00	97,388.91	298,071,162.85		17,087,388,273.54	1,800,796,643.47	18,888,184,917.01

Legal Representative: 张洪林印

Chief Finance Officer: 麦桂珍印

Finance Manager: 梁雷之印

YINCHUAN TONGLIAN CAPITAL INVESTMENT OPERATION CO.,LTD

Balance Sheet

As of 31 December 2016

Unit: RMB

Assets	Note	31 Dec 2016	31 Dec 2015
Current assets:			
Currency Funds		881,159,483.38	559,213,013.23
Financial assets measured at fair value through profit or loss for the current period			
Derivative financial assets			
Notes receivable			
Accounts receivable			5,000,000.00
Prepayments		3,250,000,000.00	150,100,000.00
Interest receivable			
Dividends receivable		3,927,000.00	
Other receivables	Note 1	3,228,141,169.17	966,833,727.69
Inventories		71353.51	27,067.50
Non-current assets classified as held for sale and assets included in disposal groups classified as held for sale			
Current portion of non-current assets			
Other current assets		847,550,000.00	340,000,000.00
Total current assets		8,210,849,006.06	2,021,173,808.42
Non-current assets:			
Available-for-sale financial assets		5,674,249,016.00	2,320,000,000.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	Note 2	16,026,646,553.88	18,996,677,096.85
Investment properties			
Fixed assets		7,193,393.40	181,226.50
Construction in progress			
Construction materials			
Fixed assets pending for disposal			
Biological assets			
Oil and gas assets			
Intangible assets		80,836.46	31,766.66
Development disbursements			
Goodwill			
Long-term deferred expenses			
Deferred tax assets			
Other non-current assets			
Total non-current assets		21,708,169,799.74	21,316,890,090.01
Total assets		29,919,018,805.80	23,338,063,898.43

Legal Representative: 张洪林印 Chief Finance Officer: 麦桂珍印 Finance Manager: 梁雷之印

YINCHUAN TONGLIAN CAPITAL INVESTMENT OPERATION CO.,LTD

Balance Sheet (Continue)

As of 31 December 2016

Unit: RMB

Liabilities and Owner's Equity	Note	31 Dec 2016	31 Dec 2015
Current liabilities:			
Short-term borrowings			
Financial liabilities measured at fair value through profit or loss for the current period			
Derivative financial liabilities			
Notes payable			
Accounts payable			
Receipts in advance		8,983,920.40	
Employee benefits payable		600,531.00	600,595.81
Tax Payables		13,912,405.62	5,194,165.23
Interest payable		48,662,322.17	29,453,333.34
Dividends payable			
Other payables		4,417,303,216.69	2,662,302,861.53
Liabilities included in disposal groups classified as held for sale			
Current portion of non-current liabilities			
Other current liabilities		500,000,000.00	
Total current liabilities		4,989,462,395.88	2,697,550,955.91
Non-current liabilities:			
Long-term borrowings			
Bonds payable		2,384,834,610.95	1,981,169,956.58
Long-term payables			
Long-term employee benefits payable			
Grants payable			
Provisions			
Deferred revenue			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		2,384,834,610.95	1,981,169,956.58
Total liabilities		7,374,297,006.83	4,678,720,912.49
Owner's Equity:			
Paid-in capital		12,705,600,000.00	10,055,600,000.00
Other equities			
Including: Preference share			
Perpetual Bond			
Capital reserves		9,808,182,357.08	8,602,769,096.85
Less: Treasury Stock			
Other Comprehensive Income			
Including: Foreign currency translation adjustments			
Specialized reserve			
Surplus reserve		3,126,655.99	97,388.91
Unappropriated profit		27,812,785.90	876,500.18
Total owner's equity		22,544,721,798.97	18,659,342,985.94
Total liabilities and owner's equity		29,919,018,805.80	23,338,063,898.43

Legal Representative: 张洪林印　　Chief Finance Officer: 麦桂珍印　　Finance Manager: 梁雷之印

YINCHUAN TONGLIAN CAPITAL INVESTMENT OPERATION CO.,LTD

Income Statement

for the year 2016

Unit: RMB

Item	Note	Current Year	Previous Year
Ⅰ.Revenue		143,005,455.72	44,130,426.57
Including: Operating income	Note 3	143,005,455.72	44,130,426.57
Ⅱ.Total cost		127,895,922.09	48,328,157.77
Including: Operating costs	Note 3	9,740,942.74	23,656,111.12
Tax and surcharge		1,576,504.01	2,128,419.88
Selling and distribution expenses			
Administrative expenses		12,349,644.86	7,485,510.73
Financial expenses		104,228,830.48	15,058,116.04
Impairment loss of assets			
Add: Gains from changes in fair values ("-"for losses)			
Investment income ("-"for loss)	Note 4	20,593,300.09	5,199,418.25
Including: investment income from associates and joint ventures			
Ⅲ.Operating profits ("—"for loss)		35,702,833.72	1,001,687.05
Add: Non-operating income		161,295.00	
Including: Gains from disposal of non-current assets			
Less: Non-operating expenses		15,725.50	31,085.54
Including: Losses from disposal of non-current assets			
Ⅳ.Profit before tax ("—" for loss)		35,848,403.22	970,601.51
Less: Income tax expenses		5,555,732.46	
Ⅴ.Net profit ("—"for loss)		30,292,670.76	970,601.51
Ⅵ.Other comprehensive income, net of income tax effect		-	-
(I). Other comprehensive income that will not be reclassified subsequently to profit or loss			
Including: i.Gains or losses from revaluation on net defined benefit plan liability or asset			
ii.Share of other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit or loss			
(II).Other comprehensive income that will be reclassified subsequently to profit or loss		-	-
Including: i.Share of other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss			
ii.Gains or losses from fair value changes on available-for-sale financial assets			
iii.Gains or losses from reclassification of held-to-maturity investment to available-for-sale financial assets			
iv. The effective cash flow hedging gain or loss			
v. Foreign currency translation adjustments			
Ⅶ.Total comprehensive income		30,292,670.76	970,601.51
Ⅷ.Earnings per share:			
Basic earnings per share			
Diluted earnings per share			

Legal Representative: 张洪林印 Chief Finance Officer: 麦桂珍印 Finance Manager: 梁雷之印

YINCHUAN TONGLIAN CAPITAL INVESTMENT OPERATION CO.,LTD
Cash Flow Statement
for the year 2016

Unit: RMB

Item	Note	Current Year	Previous Year
I.Cash flows from operating activities:			
Cash received from sales and services		141,059,407.55	26,265,928.59
Tax refunds			
Cash generated from other operating activities		3,467,488,868.13	2,666,654,589.73
Total cash inflows from operating activities		3,608,548,275.68	2,692,920,518.32
Cash paid for goods and services		10,164,600.72	11,741,666.67
Cash paid to and on behalf of employees		4,870,098.07	2,768,184.30
Payment of taxes and surcharges		7,776,653.89	703,198.48
Cash used in other operating activities		4,444,328,321.25	954,514,939.98
Total cash outflows from operating activities		4,467,139,673.93	969,727,989.43
Net cash flows from operating activities		-858,591,398.25	1,723,192,528.89
II.Cash flows from investing activities:			
Cash received from disposal of investments			433,220,000.00
Cash received from returns on investments		12,380,057.45	5,199,418.25
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units			
Cash generated from other investing activities			
Total cash inflows from investing activities		12,380,057.45	438,419,418.25
Cash paid for fixed assets, intangible assets and other long-term assets		2,200,650,355.53	231,810.00
Cash payments for investments		1,489,300,000.00	3,093,220,000.00
Net cash paid for acquiring subsidiaries and other business units			7,543,908,000.00
Cash used in other investing activities			
Total cash outflows from investing activities		3,689,950,355.53	10,637,359,810.00
Net cash flows from investing activities		-3,677,570,298.08	-10,198,940,391.75
III.Cash flows from financing activities:			
Cash proceeds from investments by others		5,944,100,000.00	7,055,600,000.00
Cash received from borrowings			2,378,441,667.00
Cash generated from other financing activities			
Total cash inflows from financing activities		5,944,100,000.00	9,434,041,667.00
Cash repayments for debts		1,000,000,000.00	398,650,000.00
Cash payments for distribution of dividends, profit and interest expenses		82,327,117.96	490,046.94
Cash used in other financing activities		3,664,715.56	
Total cash outflows from financing activities		1,085,991,833.52	399,140,046.94
Net cash flows from financing activities		4,858,108,166.48	9,034,901,620.06
IV.Effect of foreign exchange rate changes on cash and cash equivalents			
V.Net increase in cash and cash equivalents	Note 5.1	321,946,470.15	559,153,757.20
Add: Cash and cash equivalents at beginning of year	Note 5.2	559,213,013.23	59,256.03
VI. Cash and cash equivalents at end of year	Note 5.2	881,159,483.38	559,213,013.23

Legal Representative: 张林 洪印

Chief Finance Officer: 麦珍 桂印

Finance Manager: 梁之 雷印

YINCHUAN TONGLIAN CAPITAL INVESTMENT OPERATION CO.,LTD
Statement Of Changes In Owner's Equity
for the year 2016

Unit: RMB

Item	Note	Current Year									
		Paid-in capital	Other equities	Capital reserve	Less: treasury stock	Other Comprehensive Income	Specialized reserve	Surplus reserve	Unappropriated profit	Others	Total owner's equity
Ⅰ.Closing balance of prior year		10,055,600,000.00		8,602,769,096.85				97,388.91	876,500.18		18,659,342,985.94
Add: Changes in accounting policies											
Corrections of errors in Prior Period											
Others											
Ⅱ.Opening balance of current year		10,055,600,000.00		8,602,769,096.85				97,388.91	876,500.18		18,659,342,985.94
Ⅲ.Increase/decrease for current year ("-"for decrease)		2,650,000,000.00		1,205,413,260.23				3,029,267.08	26,936,285.72		3,885,378,813.03
(I).Total comprehensive income									30,292,670.76		30,292,670.76
(II).Capital contributions and withdrawals by owners		2,650,000,000.00		1,205,413,260.23							3,855,413,260.23
i.Capital contributions from owners		2,650,000,000.00									2,650,000,000.00
ii.Capital contributions from other equity instrument holders											
iii.Share-based payment recorded in owner's equity											
iv.Others				1,205,413,260.23							1,205,413,260.23
(III).Specialized reserve											
i.Appropriation to Current year											
ii.Current year deployment											
(IV).Profits distribution								3,029,267.08	-3,356,385.04		-327,117.96
i.Appropriation to surplus reserve								3,029,267.08	-3,029,267.08		
ii.Distribution to owners/shareholders									-327,117.96		-327,117.96
iii.Others											
(V).Transfer within owner's equity											
i.Capital reserve transferred to paid-in capital											
ii.Surplus reserve transferred to paid-in capital											
iii.Recover of loss by surplus reserve											
iv.Gains or losses from revaluation on net defined benefit plan liability or asset											
v.Others											
Ⅳ.Closing balance of current year		12,705,600,000.00		9,808,182,357.08				3,126,655.99	27,812,785.90		22,544,721,798.97

Legal Representative: 　　　　Chief Finance Officer: 　　　　Finance Manager:

YINCHUAN TONGLIAN CAPITAL INVESTMENT OPERATION CO.,LTD
Statement Of Changes In Owner's Equity
for the year 2016

银川通联资本投资运营有限公司

Unit: RMB

Item	Note	Previous Year									
		Paid-in capital	Other equities	Capital reserve	Less: treasury stock	Other Comprehensive Income	Specialized reserve	Surplus reserve	Unappropriated profit	Others	Total owner's equity
Ⅰ.Closing balance of prior year								328.76	2,958.82		3,287.58
Add: Changes in accounting policies											
Corrections of errors in Prior Period											
Others											
Ⅱ.Opening balance of current year								328.76	2,958.82		3,287.58
Ⅲ.Increase/decrease for current year ("-"for decrease)		10,055,600,000.00		8,602,769,096.85				97,060.15	873,541.36		18,659,339,698.36
(I).Total comprehensive income									970,601.51		970,601.51
(II).Capital contributions and withdrawals by owners		10,055,600,000.00		8,602,769,096.85							18,658,369,096.85
i.Capital contributions from owners		10,055,600,000.00									10,055,600,000.00
ii.Capital contributions from other equity instrument holders											
iii.Share-based payment recorded in owner's equity											
iv.Others				8,602,769,096.85							8,602,769,096.85
(III).Specialized reserve											
i.Appropriation to Current year											
ii.Current year deployment											
(IV).Profits distribution											
i.Appropriation to surplus reserve								97,060.15	-97,060.15		
ii.Distribution to owners/shareholders								97,060.15	-97,060.15		
iii.Others											
(V).Transfer within owner's equity											
i.Capital reserve transferred to paid-in capital											
ii.Surplus reserve transferred to paid-in capital											
iii.Recover of loss by surplus reserve											
iv.Gains or losses from revaluation on net defined benefit plan liability or asset											
v.Others											
Ⅳ.Closing balance of current year		10,055,600,000.00		8,602,769,096.85				97,388.91	876,500.18		18,659,342,985.94

Legal Representative: 张洪林印

Chief Finance Officer: 麦桂珍印

Finance Manager: 梁雷之印

YINCHUAN TONGLIAN CAPITAL INVESTMENT OPERATION CO., LTD.

Notes to the Financial Statements for the Year Ended 31 December 2016

[Expressed in RMB, unless otherwise stated]

I. General

(I) Registration, Organization and Headquarters Address

Yinchuan Tonglian Capital Investment Operation Co., Ltd. (hereinafter referred to as the "Company") was registered at Yinchuan Administration Bureau for Industry and Commerce of Ningxia Hui Autonomous Region on 22 December 2008， in 2016, the company changed the business license with the registered number 91640100670446204G. The Company's name was changed from Yinchuan Zhulong Investments Company Limited to Yinchuan Tonglian Capital Investment Operation Co., Ltd. as approved by State-owned Assets Supervision and Administration Commission of Yinchuan Municipal People's Government (Yin Guo Zi Fa [2014] No.242).

The registered capital of the increased to RMB 3,000,000,000.00 Yuan, approved by document (Yin Guo Zi Fa [2014]No.243) of State-owned Assets Supervision And Administration Commission of Yinchuan Municipal People's Government.

In 2015, the registered capital increased from RMB 3,000,000,000.00 Yuan to RMB 10,055,600,000.00 Yuan as approved by State-owned Assets Supervision and Administration Commission of Yinchuan Municipal People's Government (Yin Guo Zi Fa [2015] No.335, Guo Zi Fa [2015] No.348 and No.48 Mayor's meeting minutes of 2015 of Yinchuan Municipal People's Government.).

In 2016, According to the documents approved by State-owned Assets Supervision and Administration Commission of Yinchuan Municipal People's Government (Yin Guo Zi Fa [2016] No.49), the registered capital was increased 50,000,000.00 Yuan; according to the documents approved by State-owned Assets Supervision and Administration Commission of Yinchuan Municipal People's Government (Yin Guo Zi Fa [2016] No.234), the registered capital was increased 400,000,000.00 Yuan; According to the documents approved by State-owned Assets Supervision and Administration Commission of Yinchuan Municipal People's Government (Yin Guo Zi Fa [2016] No.438), the registered capital was increased 600,000,000.00 Yuan; According to the documents approved by State-owned Assets Supervision and Administration Commission of Yinchuan Municipal People's Government (Yin Guo Zi Fa [2016] No.352), the registered capital was increased 1,300,000,000.00 Yuan; According to the documents approved by State-owned Assets Supervision and Administration Commission of Yinchuan Municipal People's Government (Yin Guo Zi Fa [2016] No.537), the registered capital was increased 300,000,000.00 Yuan. The total paid-in capital was 12,705,600,000.00 Yuan. The company is dealing the process of corporation information change registration for increased registered capital.

The headquarters of the Company is located in Floor 9th, Business Building, No.2 Liberation West Street, Xingqing District, Yinchuan City, Ningxia Hui Autonomous Region. The legal representative of the Company is Zhang Honglin.

The Company is principally engaged in production, sale and technical consulting service of high performance polyurethane, equity investments, venture investments, project cooperation, acquisition & recombination; financial consulting, technology advisory service; primary development of land, municipal construction, real estate; operating lease, financing lease; asset management within authorization; building materials business, import and export of goods and technique.

(II) Name of the Headquarters and the Parent Company

The ultimate controlling party of the Company is the State-owned Assets Supervision and Administration Commission of Yinchuan Municipal People's Government.

II．Preparation basis of financial statement

The financial statements are prepared on a going concern basis. The Group has adopted the Accounting Standards for Business Enterprises ("ASBE") issued by the Ministry of Finance ("MoF") on and after 15 February 2006 except that the following items are stated at special basis.

1.The financial statements are prepared on the assumption that companies referred in notes" VII " (Yinchuan Municipal Construction Investment Holdings Ltd, Yinchuan Xinhua Bookstore, Yinchuan China Railway Water Group Co., Ltd) exist at the beginning of 2013, and the increase of owner's equities are recognized in capital reserve.

2.Yinchuan Municipal Construction Investment Holdings Ltd. recognized the subsidies for loan and interest as comprehensive government grant and accounted into current profit or loss according to the document "Fa Gai Ban Cai Jin [2010] No.2881" approved by Office of the national development and Reform Commission and "Yin Zheng Han [2009] No.47" approved by Yinchuan Municipal People's Government. The grant is exempt from income tax.

III．Announcement about compliance with Accounting Standards for Business Enterprises

The financial statements are prepared on a basis referred in Note "II" in accordance with CAS, showing a true and fair view of the financial position on 31 December 2016, financial performance and cash flow of the Company in 2016.

IV．Summary of significant accounting policies and significant accounting estimates

(I) Accounting year

Accounting year of the company is from 1 January to 31 December of each calendar year.

(II) Reporting currency

The Company's reporting and presentation currency is Renminbi ("RMB").

(III) Basis of preparation of financial statements

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at replacement cost, net realizable value, present value, fair value or other measurement methods, the Group adopts the historical cost as the principle of measurement of the financial statements.

(IV) Business combinations

4.1. Where a business combination achieved in stages, such multiple transactions accounted as a package deal if one or more following conditions are satisfied:

a. arrangements are entered into at the same time or in contemplation of each other;

b. arrangements work together to achieve an overall commercial effect;

c. the occurrence of one arrangement depends on the occurrence of at least one other arrangement;

d. one arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

4.2. Business combinations involving enterprises under common control

Assets and liabilities acquired in business combination shall be the absorbing party's share of the carrying amount of the owner's equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at combination date. The difference between initial investment cost and book value (or par value of the stock) of net asset acquired shall be adjusted to capital reserve. If the capital reserve is not sufficient, any excess shall be adjusted to retained earnings.

If there is contingent consideration and need to recognize contingent assets or liabilities, the difference between amounts of the contingent assets (or liabilities) and the subsequent settlement price is adjusted to the share premium in capital reserve. If the capital reserve is not sufficient, any excess shall be adjusted to retained earnings.

Where a business combination involving enterprises under common control is achieved in stages that involve multiple transactions: if such transactions is a package deal, the all transactions are accounted as a package deal to obtain control power. if such transaction is not a package deal, the difference between the initial cost of the long-term equity investment and the aggregate of the carrying amount of the long-term equity investment held before acquisition date and the new consideration paid in order to achieve further equity is adjusted to the capital reserve at the acquisition date. If the capital reserve is not sufficient, any excess shall be adjusted to retained earnings. Where the previously-held equity investment is classified as available-for-sale investments or long-term investment using equity method, other comprehensive income previously recognized shall be accounted for on the same basis as would have been required if the investee had directly disposed the related assets or liabilities. The investor's share of the investee's owner's equity changes, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution shall be recognized in the period of disposal of the investment.

4.3. Business combinations not involving enterprises under common control

Assets and liabilities acquired in business combination at acquisition date shall be the fair value of the consideration. The difference between the fair value and the book value of the consideration shall be recognized in current period profit or loss.

Where the initial investment cost of a long-term equity investment exceeds an investor's interest in the fair values of an investee's identifiable net assets at the acquisition date, the difference shall be recorded as a goodwill. Where the initial investment cost of a long-term equity investment is less than the investor's interest in the fair values of an investee's identifiable net assets at the acquisition date, the difference shall be credited to profit or loss for the current period, and the cost of long-term investment shall be adjusted accordingly.

Where a business combination not involving enterprises under common control is achieved in stages that involve multiple transactions: if such transactions is a package deal, the all transactions are accounted as a package deal to obtain control power. if such transaction is not a package deal and if the equity method was applied to the previously-held investment., the aggregate of the carrying amount of the long-term equity investment held before acquisition date and investment cost that newly increased in the acquisition date shall be the initial cost of the long-term equity investment. Where the equity method is applied to previously-held equity investment, other comprehensive income previously recognized shall be accounted for on the same basis as would have been required if the investee had directly disposed the related assets or liabilities. Where the previously-held equity is accounted for financial instrument principals, the initial investment cost at the acquisition date is the aggregate of the fair value of the investment and the investment cost that newly increased.

4.4. Direct Costs

The audit, legal, valuation and consulting fees, other intermediary fees, and related administrative fees paid by the absorbing party or acquirer for the business combination, shall be recognized in profit or loss as incurred. For the long-term equity investment acquired by the issue of equity securities, related fees can be deducted from owner's equity.

(V) Preparation of consolidated financial statements

5.1 The scope of consolidation

The scope of consolidation in the consolidated financial statements is determined on the basis of control. All subsidiaries (including separate entities controlled parent company) should be included in the consolidated financial statements.

5.2 Process of consolidation

The consolidated financial statements shall be prepared by the parent based on the financial statements of the parent and its subsidiaries, and using other related information. When preparing consolidated financial statements, the parent shall consider the entire group as an accounting entity, adopt uniform accounting policies and apply the requirements of Accounting Standard for Business Enterprises related to recognition, measurement and presentation. The consolidated financial statements shall be reflecting the overall financial position, operating results and cash flows of the group.

The company shall standardize the accounting policies of its subsidiaries so that uniform accounting policies are used by the Company and its subsidiaries. When the accounting policies of its subsidiaries are different from those of the parent, the parent shall make necessary adjustments to the financial statements of the subsidiary based on its own accounting policies.

The consolidated financial statements shall be prepared by the Company by combining financial statements of the Company and its subsidiaries after eliminating the effects of intragroup transactions. If accounting treatments are different by the sight of the group from by the sight of the Company or its subsidiaries, adjustment shall be made from the view of the group.

Owner's equity, current period profit or loss and other comprehensive income that attribute to non-controlling shareholders are presented separately under the owner's equity on the consolidated balance sheet, under net profit and total comprehensive income on the consolidated income statement. When the amount of loss for the period attributable to the non-controlling interest of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess amount is still allocated against minority interests.

For a subsidiary that is acquired in a business combination involving enterprises under common control, adjustments to its financial statements shall be made based on the book value of the absorbing party's share of the assets and liabilities (including goodwill generated from the combination) of the ultimate controlling party.

For a subsidiary that is acquired in a business not involving enterprises under common control, adjustments to its financial statements shall be made based on the fair value of the net identifiable assets at acquisition date.

(1) Newly added subsidiaries or business

If the parent has acquired a subsidiary or business combination involving enterprises under common control, the following adjustments shall be made: the opening balance of the consolidated balance sheet shall be adjusted for that subsidiary or business; the subsidiaries revenue, expenses and profit, from the beginning to the end of the reporting period in which the combination takes place, shall be included in the consolidated income statement; the cash flows of the subsidiaries or business, from the beginning to the end of the reporting period in which the combination takes place, shall be included in the consolidated statement of cash flows. Relevant items in the comparative statement shall be adjusted as if the reporting entity after the combination has been in existence since the date the ultimate controlling party first obtained control.

If the investor and the subsidiary are under the common control because of the increase in investment, relevant items shall be adjusted as if the reporting entity after the combination has been in existence since the date the ultimate controlling party first obtained control. Changes arising from the investee’s net profit or loss, other comprehensive income or profit distribution of previously-held shares shall be adjusted to retained earnings of the opening balance in the comparative reporting period based on the later of acquisition date and the date that the ultimate controlling party first obtained control.

If the parent has acquired a subsidiary or business combination not involving enterprises under common control, no adjustments will be made to the opening balance of the consolidated balance sheet but the following adjustments shall be made: the subsidiaries revenue, expenses and profit, from the acquisition date to the end of the reporting period in which the combination takes place, shall be included in the consolidated income statement; the cash flows of the subsidiaries or business, from the acquisition date to the end of the reporting period in which the combination takes place, shall be included in the consolidated statement of cash flows.

If the enterprise becomes capable of exercising control because of the additional investment and they are under the common control, previously-held shares shall be adjusted to fair value at the acquisition date. Any differences between fair value and book value should be recognized investment income in the current period. Other comprehensive income and changes in owner’s equity other than investee’s profit or loss, other comprehensive income or profit distribution of the previously-held shares under the equity method shall be transferred to investment income in the current period. However, other comprehensive income generated from the revaluation of the assets or liabilities of defined benefit plans cannot be transferred into profit or loss.

(2) Disposal or subsidiaries or business

1) General method

If the Company disposes its subsidiaries or business in the reporting period, revenue, expenses and profit of the subsidiary or business, from the beginning to the end of the reporting period in which the combination takes place, shall be included in the consolidated income statement and cash flows of the subsidiary or business, from the beginning to the end of the reporting period in which the combination takes place, shall be included in the consolidated statement of cash flow.

If the Company loses control of an investee due to the disposal of a portion of an equity investment shall be re-measured at its fair value in the consolidated financial statements at the date when control is lost. The difference between the total amount of consideration received from the transaction that resulted in the loss of control and the fair value of the remaining equity investment and the share of net assets of the former subsidiary calculated continuously from the acquisition date or the combination date based on the previous shareholding proportion, shall be recognized as investment income for the current period when control is lost, and the goodwill related to the subsidiary shall also be de-recognized. Other comprehensive income and changes in owner's equity other than investee's profit or loss, other comprehensive income or profit distribution of the previously-held shares shall be transferred to investment income when the Company lost control of the investee. However, other comprehensive income generated from the revaluation of the assets or liabilities of defined benefit plans cannot be transferred into profit or loss.

2) Disposal of a subsidiary in multiple transactions

If the Company loses control of a subsidiary in multiple transactions in which it disposes of its subsidiary in stages, the Company should account for the multiple arrangements as a single transaction when one or more of the following exists:

a. arrangements are entered into at the same time or in contemplation of each other;

b. arrangements work together to achieve an overall commercial effect;

c. the occurrence of one arrangement depends on the occurrence of at least one other arrangement;

d. one arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

If each of the multiple transactions forms part of a bundled transaction which eventually results in loss of control of the subsidiary, these multiple transactions should be accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets in each transaction prior to the loss of control shall be recognized in other comprehensive income and transferred to the profit or loss when the Company eventually loses control of the subsidiary.

If each of the multiple transactions does not form part of a bundled transaction which eventually results in loss of control of the subsidiary, accounting treatments are as follows: before losing control of the subsidiary, the transactions are treated as disposal of part of the equity investment; when the Company loses control of the subsidiary, the transactions are treated as disposal of the subsidiary.

(3) Acquire a subsidiary's equity interest held by non-controlling shareholders

Where the Company has acquired a subsidiary's equity interest held by non-controlling shareholders, the difference between the increase in the cost of long-term equity investments as a result of acquisition of non-controlling interests and the share of net assets of the subsidiary calculated continuously from the acquisition date or the combination date based on the new shareholding proportion shall be adjusted to the capital reserve in the consolidated financial statements. If the balance of the capital reserve is not sufficient, any excess shall be adjusted against retained earnings.

(4) Dispose part of the investment without loss of control

Where the parent disposes of a portion of the long-term equity investments in a subsidiary without loss of control, the difference between the amount of the consideration received and the corresponding portion of net assets of the subsidiary calculated continuously from the acquisition date or the combination date related to the disposal of the long-term equity investments shall be adjusted to the capital reserve. If the balance of the capital reserve is not sufficient, any excess shall be adjusted against retained earnings.

(VI) Cash and Cash equivalents

Cash refers to cash on hand and demand deposits. "Cash equivalents" refer to short-term, highly liquid investments (generally matured within 3 months) that are readily convertible to known amounts of cash and are subject to an insignificant risk on change in value.

(VII)Foreign currency transactions

7.1. Transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized in profit or loss for the current period, except that the exchange differences related to a specific-purpose borrowing denominated in foreign currency and qualified for capitalization as part of the cost of the qualifying asset during the capitalization period. Foreign currency non-monetary items measured at historical cost are translated at the spot exchange rates on the dates of the transactions; the amounts in functional currency remain unchanged.

Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value and is recognized in current profit or loss. The difference arising from available for sale non-monetary items is recognized in other comprehensive income.

7.2. Translation of financial statements denominated in foreign currencies

Assets and liabilities are translated at the spot exchange rate prevailing at the balance sheet date; owner's equity items except for un-appropriated profits are translated at the spot exchange rates at the dates on which such items occurred. All items relating to revenues and expenses in the income statement are translated at the spot exchange rates on the dates of the transactions. Exchange differences above are recognized as other comprehensive income.

On disposal of the Company's entire interest of overseas business, the accumulated translation adjustments of foreign currency financial statements should be transferred to profit or loss in current period from other comprehensive income. As for part disposal which hold the right of control after disposal, the accumulated translation adjustments of foreign currency financial statements should be presented in non-controlling interest in proportion to the weight of disposal interest in the overseas business. On disposal of associate and joint venture overseas business, the accumulated translation adjustments of foreign currency financial statements should be presented in profit or loss in current period on a proportional basis.

(VIII)Financial Instruments

Financial Instruments comprises financial assets, financial liabilities and equity instruments.

8.1. Classification of financial assets and financial liabilities

The classification of financial assets depends on not only commercial substance in contract but also the Company's intention and ability to hold the instrument. Financial instruments are classified into the following categories at initial recognition: financial assets (or liabilities) at fair value through profit or loss, held-to-maturity investments, entrusted loans, receivables, available-for-sale financial assets and other financial liabilities.

8.2. Recognition and measurement

(1) Financial assets (or liabilities) at fair value through profit or loss ("FVTPL")

Financial assets or financial liabilities at FVTPL include financial assets or financial liabilities held for trading and those designated as at fair value through profit or loss.

A financial asset or financial liability is classified as trading securities if one of the following conditions is satisfied:

1) It has been acquired principally for the purpose of selling in the near term; or

2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Company has a recent actual pattern of short-term profit-taking; or

3) It is a derivative that is not designated and effective as a hedging instrument, a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

A financial asset or financial liabilities may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied:

1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency in profit or loss that would otherwise result from different measurement or reorganization basis.

2) The financial asset (or liability) or a financial instrument portfolio is evaluated on a fair value basis in accordance with the Company's documented risk management or investment strategy, and information about the grouping is managed by and evaluated or reported to key management personnel;

3) Hybrid instruments associated with embedded derivatives, except for embedded derivatives that do not have significant impact on cash flow of hybrid instrument, or obviously embedded derivatives should not be spilt from hybrid instrument;

4) Hybrid instruments associated with embedded derivatives, which need to split but not measured separately at initial acquisition date or at subsequent balance sheet date.

Financial assets and financial liabilities at FVTPL are recognized in fair value (net of declared but not yet distributed cash dividend and net of due but not yet received bond interest) when obtained initially, and transaction costs are immediately recognized in current period profit or loss. Financial assets or financial liabilities at FVTPL are subsequently measured at fair value. Any gains or losses due to changes in the fair value and any dividend or interest income are recognized in current period profit or loss. The difference between fair value and initial cost are recognized in investment income (or loss) when dispose the financial instrument. Besides, gains or losses due to fair value adjustment in prior period should be transferred to current period profit or loss.

(2) Receivables

Accounts receivable are recognized initially at contract price or agreement price as a result of the following transactions or circumstances: sales, services or creditor’s rights hold by the company that do not have active market quotation, including accounts receivable, other receivables, notes receivable, prepayments and long-term receivables.

When the accounts receivable is recovered or disposed, the difference between the proceeds and their carrying amount is recognized in profit or loss for the current period.

(3) Entrusted loans

Entrusted loans are recognized at the actual amounts that lent out by financial institutes as an agent. The interest is accounted on the accrual basis. If the previously earned interest is overdue and may not be received, interest provision should be stopped and interests that were previously provisioned should be reversed.

Entrusted loans are subsequently measured at lower of book value and recoverable amount.

1) Entrusted loans impairment can be recognized if the principal of the loan is larger than its recoverable amount.

2) Appropriation to entrusted loans impairment is the differences between the book value and the recoverable amount on an individual basis at the half year or whole year ended date.

(4) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and maturity dates that the Company's management has the positive intention and ability to hold to maturity.

Held-to-maturity investments are initially measured at fair value (net of declared but not yet distributed cash dividend and net of due but not yet received bond interest) plus transaction costs. Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. Interest revenue is recorded in current period profit or loss. Effective interest was determined at acquisition date and keep remain unchanged in estimated period or appropriate shorter period. On a disposal of the investments the difference between proceeds received and its carrying amounts is recorded in investment income (or loss).

(5) Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated on initial recognition as available for sale, and financial assets that are not classified as financial assets at fair value through profit or loss, loans, receivables or held-to-maturity investments.

Available-for-sale financial assets are initially measured at fair value (net of declared but not yet distributed cash dividend and net of due but not yet received bond interest) plus transaction costs. Interests obtained and the dividends received during the holding period are recognized in investment income (or loss). Available-for-sale financial assets are subsequently measured at fair value, and gains or losses due to changes in fair value are recognized as other comprehensive income, except for impairment losses and foreign currency translation differences for monetary items. On a disposal of available-for-sale investments, differences between book value and original cost should be recorded in investment income (or loss). Meanwhile, other comprehensive income related to fair value adjustments should be transferred into current period profit or loss.

8.3. Transfer of financial assets

A financial asset should be derecognized if substantially all the risks and rewards of ownership are transferred to the transferee and vice versa.

When determine whether the transfer of financial assets satisfies DE recognition criteria or not, the substance over form should be taken into consideration. For a transfer of a financial asset in its entirety that satisfies the DE recognition criteria, the difference between the following items is recorded in current period profit or loss:

(1) The carrying amount of the financial asset transferred; and

(2) The sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized in owner's equity.

If a financial asset is transferred partially and qualifies for DE recognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized based on their fair values. The difference between the following items is recorded in current period profit or loss:

(1) The carrying amount allocated to the part derecognized; and

(2) The sum of the consideration received for the part derecognized and any cumulative gain or loss that has been recognized in owner's equity.

If a transfer of a financial asset does not satisfy the DE recognition criteria, such financial asset should be recognized continually and the consideration should be recorded as a financial liability.

8.4. De-recognition of financial liabilities

A financial liability is derecognized entirely or partially when the underlying present obligation (or part of it) is discharged. The original financial liabilities is derecognized and a new financial liability is recorded if an agreement made between the Company (an existing borrower) and an existing lender agreed to replace the original financial liability with a new financial liability with substantially different terms.

When a financial liability is derecognized entirely or partially, the difference between the carrying amount of part of the financial liability derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) is recognized in profit or loss.

If the Company buys back part of financial liability, the carrying amounts of financial liability should be allocated between the derecognized parts and continuing recognized parts in proportion to ratio of its fair value. The difference between the carrying amount of part of the financial liability derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) is recognized in profit or loss.

8.5. Basis for fair values of the financial assets and financial liabilities

The fair value of financial assets and financial liabilities traded on active markets are quoted at market bid prices; the fair value of initial acquired or derivative instruments are determined with reference to quoted market prices; the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

8.6. Impairment of financial assets (except for receivables)

The carrying amounts of financial assets other than those measured at fair value through profit or loss are assessed at each balance sheet date. Appropriation to impairment loss can be recognized if there is objective evidence that a financial asset is impaired.

Objective evidence that a financial asset is impaired includes but not limited to the following observable events:

(1) Significant financial difficulty of the issuer or obligor;

(2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

(3) The creditor, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession;

(4) It is probably that the borrower will experience bankruptcy or other financial reorganizations;

(5) The financial asset cannot trade in an active market because of financial difficulties of the issuer;

(6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes but not limited to: adverse changes in the payment status of borrower in the group of assets; economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;

(7) As a result of significant adverse changes in the technological, market, economic or legal environment, the cost of the investment in the equity instrument may not be recovered by the investor;

(8) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;

The method for appropriation to impairment loss of financial assets is set out below:

(1) Impairment of available-for-sale financial assets：

Available-for-sale equity instruments are assessed individually for impairment at balance sheet date. If the fair value of the equity instruments is reduced to 50%(or over 50%) of the cost or below its cost for more than one year, the impairment should be recognized. If the fair value of the equity instruments at the balance sheet date are more than 20% but less than 50% of the cost, considerations such as price fluctuation or other related factors should be taken into account in determine the impairment loss.

When an available-for-sale financial asset is impaired, the cumulative loss because of decline in fair value previously recognized directly in other comprehensive income is reclassified from in other comprehensive to current period profit or loss. The amount of the reclassified cumulative loss is the net value of the acquisition cost (net of any principal repayment and amortization) minus the current fair value and any impairment loss previously recognized in profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence that a recovery in value of the financial assets occurs after the impairment is recognized, the previously recognized impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognized as other comprehensive income, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognized in current period profit or loss. However, impairment loss cannot be reversed if the equity instrument investments do not have active market quotation or a derivative financial asset is linked to and must be settled by delivery of such an unquoted equity instrument investment.

(2) Impairment of held-to-maturity investments：

If there is objective evidence that a held-to-maturity investment is impaired, the difference between carrying amounts and present value of estimated future cash flows is recognized as an impairment loss in current period profit or loss. If there is an objective evidence of a recovery in value of held-to-maturity investments after the impairment is recognized, the previously recognized impairment loss can be reversed. However, the reversal amount is made to the extent the carrying amount of the held-to-maturity investments what the amortized cost would have been had the impairment not been recognized at the date of reversal.

8.7. Offsetting financial assets and financial liabilities

Where the Company has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities and the Company intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and present in net amount on the balance sheet. Except for the above circumstances, financial assets and financial liabilities should be presented separately on the balance sheet and shall not be offset.

(IX) Hedging instrument

According to the hedging relationship, the company classifies the hedging into fair value hedging, cash flow hedging and foreign net investment hedging.

9.1. For the hedging instrument that meet the following conditions, hedging account method could be used.

(1) At the beginning of hedging, the Company formally designate the hedging relationship (ie, the relationship between the hedging instrument and the hedged item) and prepared official written documents on the hedge relationship, risk management and hedging policy;

(2) The hedging expectation is highly effective and consistent with the risk management strategy initially established by the company for the hedging relationship;

(3) For cash flow hedging of forecast transaction, the forecast transaction is likely to occur, and it must enable the company ultimately face the risk of changes in cash flow that will affect profit or loss;

(4) The effectiveness of hedging can be reliably measured；

(5) Continuously evaluate the effectiveness of hedging and ensure that the hedging is highly effective in the accounting period in which the hedging relationship is designated；

When hedging simultaneously meet the following conditions, the company confirms its high effectiveness: (1) After the beginning of hedging and the subsequent period, the hedging expectation could highly effectively offset changes in fair value or cash flow during the designated hedging risk; (2) The actual offset results should be in the range of 125% to 80%.

9.2. Fair value hedging

(1) Basic requirement

1) Gains or losses from changes in fair value are included in the current profit and loss if hedging instruments are considered as derivatives; gains or losses on the book value due to the changes of exchange rate are included in the current profit and loss if hedging instruments are not considered as derivatives.

2) Gains or losses of the hedged item in the formation of the hedging risk are included in the current profit and loss. Adjustment to the book value of the hedged item shall be made. Same

adjustments shall be made if the hedged item is inventories measured at lower of cost or market, the financial asset measured at amortized cost, or available-for-sale investments.

(2) Accounting treatment of gains or losses of the hedge item

1) For a fair value hedging of interest rate risk which is part of a financial asset or financial liability portfolio, the company should treat profits or losses in the form of a hedging project according to the following approaches:

a. If the hedged item is considered as an asset during re-pricing period, it should be presented separately as an asset on the balance sheet and be written-off at the termination of recognition.

b. If the hedged item is considered as a liability during re-pricing period, it should be presented separately as a liability on the balance sheet and be written-off at the termination of recognition.

2) If the hedged item is a financial instrument measured at amortized cost, gains or losses should be amortized in the period from reconciliation date to date of matured using effective rate, and recorded as current period profit or loss.

For interest rate risk portfolio, items that is presented separately on the balance sheet should be amortized in the period from reconciliation date to date of matured using effective rate. If it is impractical to amortize using effective rate method, the Company can adopt straight-line method. The adjustment amount should be completely amortized on or before the mature date of the financial instrument. For the fair value hedging of interest rate risk portfolio, the adjustment amount should be completely amortized before the end of re-pricing period.

1) If a hedged item is considered as unrecognized firm-commitment, changes of such commitment as a result of fair value changes should be recognized as an asset or liability and gains or losses should be recognized in current period profit or loss.

2) For a fair value hedging that has firm-commitment of buying assets or assuming liabilities, accumulated changes (which have already been recognized as asset or liability) of such commitment as a result of fair value changes should be adjusted to asset or liability related to the firm-commitment.

(3) Criteria for termination of fair value hedging accounting

Accounting for fair value hedging can be terminated if one of the following criteria is met:

1) The hedging instrument is matured, sold, or exercised or the contract is terminated.

2) If the hedging instrument is extended or replaced by another hedging instrument and such extension or replacement is considered as part of the hedging policy of the Company with approved document, it is not treated as expiration or contract termination.

3) Such hedging cannot meet the requirement of hedging accounting.

4) The Company revokes the designation of the hedging relationship.

9.3. Cash flow hedging

(1) Basic requirement

1) The effective portion of hedged instrument is recognized in owner's equity and presented separately. The effective hedging portion can be determined by the lower of values below:

a. Accumulated profit or loss since the hedging has begun;

b. Accumulated changes in the estimation of present value of future cash flows since the hedging has begun.

2) The ineffective portion of gains and losses (gains or losses except for gains or losses which were recorded as equity) of the hedging instrument is recognized in profit or loss in the period.

3) If it is stated in the approved document that part of the gains or loss, or cash flow influences, will be excluded when assessing hedge effectiveness, No.22 principals for financial instruments of Accounting Standards for Business Enterprises ("ASBE") should be used in dealing with the excluded part.

(2) Subsequent measurement for gains and losses of hedged instruments

1) If the hedged item is an expected transaction which leads to a recognition of a financial asset or a financial liability, accumulated gains or losses that previously recorded as an equity should be transferred to profit or loss in the period when such asset or liability influences profit or loss of the Company. However, if some or all part of accumulated losses that previously recorded as an equity cannot be reversed in the subsequent accounting periods, losses that cannot be compensated should be transferred to current profit or loss.

2) If the hedged item is an expected transaction which leads to a recognition of a non-financial asset or a non-financial liability, accumulated gains or losses that previously recorded as an equity should be transferred to profit or loss in the period when such asset or liability influences profit or loss of the Company. However, if some or all part of accumulated losses that previously recorded as an equity cannot be reversed in the subsequent accounting periods, losses that cannot be compensated should be transferred to current profit or loss.

3) For situations not mentioned above, accumulated losses that previously recorded should be transferred to profit or loss in the period when such hedged transaction influences profit or loss of the Company.

(3) Criteria for termination of cash flow hedge accounting

1) If the hedging instrument is matured, sold, or exercised or the contract is terminated, accumulated gains or losses that previously recorded as an equity cannot be transferred to profit or loss for the period. Accounting treatments should be made when the expected transaction occurs.

2) If the hedged item no longer satisfies criteria for hedge accounting, accumulated gains or losses that previously recorded as an equity cannot be transferred to profit or loss for the period. Accounting treatments should be made when the expected transaction occurs.

3) If the expected transaction will not happen, accumulated gains or losses that previously recorded as an equity should be transferred to current period profit or loss.

4) For an expected hedged transaction, if the Company revokes the designation of the hedged item, accumulated gains or losses that previously recorded as an equity cannot be transferred to profit or loss for the period. Accounting treatments should be made when the expected transaction occurs. If the expected transaction will not happen, accumulated gains or losses that previously recorded as an equity should be transferred to current period profit or loss.

9.4. Hedge accounting for net investment of overseas operation

Accounting treatments for net investment of overseas operation hedging are similar to that of cash flow hedging.

(1) The effective portion of hedged instrument is recognized in owner's equity and presented separately. Equity mentioned above should be transferred to current period profit or loss when the overseas operation is disposed.

(2) The ineffective portion of hedged instrument is recognized in current period profit or loss.

(X) Receivables

10.1. Receivables that are individually significant and for which bad debt provision is individually assessed

Criteria for determining individually significant receivables: Top five balances of receivables or receivables over 10% of all receivable balances are deemed as individually significant receivables by the Group.

Provision methods for receivables that are individually significant and for which bad debt provision is individually assessed: receivables are assessed individually for impairment; when the current value of the future cash flow is lower than book value, the differences should be recognizes provision for bad debts into current period profit or loss. For a financial asset that is not impaired individually, it may be included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

10.2.Receivables for which bad debt provision is collectively assessed by credit risks

(1) Basis for determining a portfolio

The bad debt provision according to the preceding period actual loss ratio of portfolio with similarly credit risk characteristics and current situation should be taken into consideration for receivables that are not individually significant and those that are individually significant but are not impaired individually into groups of financial assets according to similarity and relevance of credit risk characteristics.

Basis for determining a portfolio:

Aging analysis method portfolio	Yinchuan China Railway Water Group Co., Ltd. and Yinchuan Xinhua Bookstore assesses receivables according to historical experience.
Percentage of balance method portfolio	Other companies assesse receivables according to historical experience.
Non-risk portfolio	Receivables which are not impaired and not subject to credit risk.
Related parties including consolidated scope portfolio	The portfolio primarily includes amounts due from related parties of the Company. Such receivables are not impaired except for obviously bad debts emerge.

(2) Bad debt provision methods for a portfolio

1) Aging analysis method

Ages	Provision proportion for accounts receivable (%)	Provision proportion for other receivables (%)
Within 1 year (including 1 year, same as following)	5	5
1 year to 2 years	10	10
2 years to 3 years	15	15

Ages	Provision proportion for accounts receivable (%)	Provision proportion for other receivables (%)
3 years to 4 years	20	20
4 years to 5 years	50	50
Over 5 years	80	80

2) Percentage of balance method

Item	Provision proportion for accounts receivable (%)
Percentage of balance method portfolio	0.3

3) Other method

Item	Provision proportion for accounts receivable (%)	Provision proportion for other receivables (%)
Non-risk portfolio	—	—
Related parties including consolidated scope portfolio	—	—

10.3.Receivables that are not individually significant but for which bad debt provision is individually assessed

Reasons for making individual bad debt provision: An objective evidence indicates that the Company is unable to collect the receivables under original terms.

Bad debt provision methods: the provision is recognized by the differences between the expected present value of future cash flows and book value.

(XI) Inventories

11.1. Categories of inventories

Inventories refer to finished goods, merchandises, goods in process or materials consumed during the process of production or service rendering which held by the Company in daily operations. Inventories mainly include raw materials, circulating materials, consigned goods, goods in process, commodity stocks, goods in transit, etc.

11.2. Valuation method of inventories

Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition. The actual cost of inventories upon delivery is calculated using the weighted average method.

11.3. Inventory count system

The perpetual inventory system is maintained for stock system.

11.4. Amortization methods for low cost and short-lived consumable items and packaging materials

(1) Low cost and short-lived consumable items are amortized using the five-to-five method；

(2) Packaging materials are amortized using the immediate write-off method.

11.5. Basis for determining net realizable value of inventories and provision methods for

decline in value of inventories

At the balance sheet date, inventories are measured at the lower of cost or market.Net realizable value for finished goods, goods in stock and held-for-sale materials can be determined by the net value of selling prices minus selling expenses, taxes or other expenses. Net realizable value for inventories which need to be manufactured can be determined by estimated selling price of finished goods minus estimated costs necessary in manufacturing, selling expenses and taxes and other expenses. Net realizable value for inventories which held because of selling contract or service contract can be determined by contract price. If the holding quantities excess orders, net realizable value of excessive part can be determined by market value.

For large quantity and low value inventories, allowance to reduce inventory can be determined based on categories of inventories. For items of inventories relating to a product line that are produced and marketed in the same geographical area, that have the same or similar end users or purposes, and that cannot be practicably evaluated separately from other items in that product line, provision for decline in value is determined on an aggregate basis.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their cost, the original provision for decline in value can be reversed and the reversal is included in profit or loss for the current period.

(XII)Long-term equity investment

12.1. Recognition of investment cost

(1) For a long-term equity investment acquired through a business combination, please refer to Note “IV-4” in detail.

(2) Long-term equity investment acquired through other ways:

The initial cost of a long-term equity investment obtained by cash shall be the purchase cost which is actually paid. The initial cost consists of direct expenses, taxes and other necessary expenses.

The initial cost of a long-term equity investment obtained by issuing equity securities shall be the fair value of the equity securities issued. Transaction cost that directly attributed to equity transaction can subtract from owner’s equity.

If the transaction is commercial in nature and fair values of both the assets received and surrendered can be reliably measured, the fair value of the assets surrendered shall be the basis for the determination of the cost of the assets received, unless there is any exact evidence showing that the fair value of the assets received is more reliable. Where any non-monetary assets transaction does not meet the conditions as prescribed in above, the carrying value and relevant taxes of the assets surrendered shall be the initial cost of a long-term investment obtained.

The initial cost of a long-term equity investment obtained by debt restructuring shall be ascertained based on fair value.

12.2. Subsequent measurement and recognition of profit or loss

(1) Cost method

For long-term equity investments controlled by the Company, the cost method is used. Under the cost method, a long-term equity investment is measured at initial investment cost. Cost for long-term equity investment should be adjusted when the Company add or dispose the investment.

Except for cash dividends or profits already declared but not yet paid which are included in the price or consideration actually paid upon acquisition of the long-term equity investment, investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

(2) Equity method

For long-term equity investment in associates and joint ventures, the equity method is used. For investments held through an associate such as venture capital institutions, mutual fund, trust company or similar organizations, fair value should be used and adjustments in fair value changes shall be recognized in current period profit or loss.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment will be made. Where the initial investment cost is less than the investor’s share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

For long-term equity investments accounted for equity method, the investment income (or loss) and other comprehensive income based on the Company’s share should be recognized, and the cost of the long-term equity investment is adjusted accordingly. Book value of the long-term equity investment shall be reduced based on the Company’s share if the investee declares profit or dividend distribution. Changes except for net profit or loss, other comprehensive income and earnings distribution shall be recognized in owner’s equity and book value adjustment for the investment should be made.

Profit or loss should be calculated based on the fair value of the Company’s share of net identifiable asset of the investee upon acquisition. Unrealized profits or losses arising from the intra-company transactions amongst the Company and its investees should be off-set in proportion to the Company’s share of investment.

The Company de-recognizing its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor’s net investment in the investee is reduced to zero. However, if obligations of the Company exist, provisions should be recognized.

If the investee achieves profitability in the subsequent period, account treatment should be made in reverse order of above after eliminating the Company’s share of unrealized loss.

12.3. Basis for determination of existence of control, jointly control or significant influence over investees

Control exists when the investor has all the following: power over the investee; exposure, or rights to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor’s returns.

If all the parties, or a group of parties, control the arrangement collectively and have significant influence on decision making which require the unanimous consent of those parties, that arrangement is treated as a joint arrangement.

A joint arrangement that is structured through a separate vehicle is usually classified as a joint venture if the Company has rights to the net asset of that separate vehicle. Equity method is applied for a joint arrangement. A joint operation is a joint arrangement whereby the joint operator have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. It is determined that he Company has significant influence on the investee based on the following criteria: (1). The Company sends members to the investee's board of directors or similar governing bodies; (2). The Company participates in the investee's policies or decisions making on financial and operation issues; (3). The Company has significant transactions with the investee; (4) The Company appoints the investee's key management personnel; (5) The Company provides crucial materials or documents to the investee.

12.4. The transfer of accounting methods

(1) Transfer form fair value method to equity method

According to "Accounting Standard for Business Enterprises No. 22-Financial Instruments: Recognition and Measurement", if the investor can exert significant influence on the investee or implement co-control but not solely-control, the initial cost of long-term investment shall be the fair value of previously-held shares plus the newly invested cost.

If the previously held shares was classified as available-for-sale investments, the difference between fair value and book value of the investment and other comprehensive income that was recognized in prior period shall be recorded in profit or loss in the period when equity method is used.

If the initial investment cost is less than the fair value of investee's net identifiable asset which is calculated based on the shareholding ratio using equity method at the acquisition date, an adjustment should be made to the difference and non-operating income in current period shall be recognized.

(2) Transfer from fair value method to cost method

If the Company controls the investee (they do not under the common control), the initial cost for the investment using cost method is the summary of the book value of the Equity investments which the Company previously held that measured in accordance with accounting principal for financial instruments, or long-term investments for associates and joint venture which the Company previously held, and the cost for newly added investment.

Accounting treatments for other comprehensive income which recognized before acquisition date are on the same basis of the accounting treatments of investee for the disposal of related assets or liabilities.

If "Accounting Standard for Business Enterprises No. 22-Financial Instruments: Recognition and Measurement" was applied to the previously-held investment, accumulated changes fair value which recorded in other comprehensive income should be transferred to current period profit or loss.

(3) Transfer from equity method to fair value method

If the Company loses joint control or significant influence of the investee because it disposed part of the investment, the remained investment should be measured and recognized using "Accounting Standard for Business Enterprises No. 22-Financial Instruments: Recognition and Measurement". Differences between fair value and book value on the date when the Company loses joint control or significant influence should be recognized in current period profit or loss.

Accounting treatments for other comprehensive income which recognized using equity method are on the same basis of the accounting treatments of investee for the disposal of related assets or liabilities when equity method is not eligible.

(4) Transfer from cost method to equity method

When an investor can no longer exercise control overran investee due to partial disposal of equity investment or other reasons, and with the retained interest, still has joint control of, or significant influence over, the investee, when preparing the individual financial statements, the investor shall change to the equity method and adjust the remaining equity investment as if the equity method had been applied from the date of the first acquisition.

(5) Transfer from cost method to fair value method

If the investor cannot exercise joint control of significant influence over the investee after partial disposal of equity investment shall be accounted for in accordance with "Accounting Standard for Business Enterprises No. 22-Financial Instruments: Recognition and Measurement", and the difference between the fair value and carrying amount at the date of the loss of control shall be charged to profit or loss for the current period.

12.5. Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and the book value of the investment should be recognized in profit or loss for the period. For a long-term equity investment using the equity method, any other comprehensive income previously recognized shall be accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities on the pro-rata basis upon the disposal of the equity investment.

If the Company loses control of a subsidiary, the Company should account for the multiple arrangements as a single transaction when one or more of the following exists:

(1) arrangements are entered into at the same time or in contemplation of each other;

(2) arrangements work together to achieve an overall commercial effect;

(3) the occurrence of one arrangement depends on the occurrence of at least one other arrangement;

(4) one arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

If each of the multiple transactions forms part of a bundled transaction which eventually results in loss of control of the subsidiary, these transactions can be considered as a single transaction and different accounting treatment would be applied to financial statements and consolidated financial statements.

(1) On the financial statement, differences between the book value and the disposal price of the investment should be recognized in other comprehensive income before losing control of the subsidiary. When the Company loses the right or control, the accumulated other comprehensive income should be recognized in profit or loss in the period.

(2) On the consolidated financial statement, differences between the share of investee's net identifiable net asset and the disposal price of the investment should be recognized in other comprehensive income before losing control of the subsidiary. When the Company loses the right or control, the accumulated other comprehensive income should be recognized in profit or loss in the period.

12.6. Impairment of long-term equity investments

The Group reviews the long-term equity investments at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If an impairment indication exists, the recoverable amounts are estimated. Recoverable amount refers to the higher of net realizable value (fair value less disposal cost) and present value of expected future cash flow. If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognized in profit or loss for the period.

Once an impairment loss is recognized for a long-term equity investment, it cannot be reversed in any subsequent period.

(XIII)Investment properties

The company adopt the cost-model to measure the investment property.

Investment property is property held to earn rentals or for capital appreciation or both. It includes a land usage right which is leased out; a land usage right held for transfer upon capital appreciation; and a building which is leased out.

An investment property is measured initially at cost. For the investment property purchased by Company, the initial cost consists of the acquisition payment, relevant taxes, and other direct expenses. For the investment property constructed by the Company, the initial cost is the amount to the costs necessary to bring the fixed assets ready for their intended use.

The Company uses the cost model for subsequent measurement of investment property. Buildings and land use rights are depreciated or amortized to their estimated net residual values over their estimated service lives. The estimated service lives, the estimated net residual values that are expressed as a percentage of cost and the annual depreciation (amortization) rates of investment properties are as follows:

Item	Estimated service lives	Estimated residual value	Annual depreciation rates
Buildings	20 -50years	5%	1.90%-4.75%

When an investment property is transferred to owner-occupied properties, it is reclassified as fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment properties at its carrying amount at the date of the transfer. The recorded value of the property after transfer is determined by the book value of the property before transfer.

The Company assesses the investment properties at each balance sheet date to determine whether there is any indication of an impairment loss. If an impairment indication exists, the recoverable amounts are estimated. If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognized in current period profit or loss. Once an impairment loss is recognized, it cannot be reversed in any subsequent period.

An investment property is de-recognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognized in profit or loss for the current period.

(XIV)Fixed assets

14.1. Recognition criteria for fixed assets

Fixed assets refer to tangible assets which have service lives for more than one accounting yearm and which are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably.

14.2. Initial measurement of fixed assets

Fixed assets are initially measured at cost. For the fixed assets purchased by the Company, the initial cost consists of the acquisition payment, relevant taxes, other direct expenses and costs necessary to bring the fixed assets ready for their intended use. For the fixed assets constructed by the Company, the initial cost amount to the costs necessary to bring the fixed assets ready for their intended use. The fixed assets contributed by the investors are recognized based on contract price, except that the contract price is not in a fair or reasonable value. If acquisition payment is settled over normal credit term, the transaction is financing in substance. Therefore, initial cost is recognized based on the present value of the payment. The difference between aquisition cost and its present value is recognized in current period profit or loss during the credit term, except for the capitalized portion.

14.3. Subsequent measurement and disposal of fixed assets

(1) Depreciation of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated service lives except for those fully depreciated and land that is measured separately.

For fixed assets obtained by special reserves, special reserves should be write down at the initial cost of fixed assets, and same amount in cumulative depreciation should be recognized. Such fixed assets are not depreciated in subsequent period.

The Company determines the estimated service life and net residual value of a fixed asset according to its characteristics and service condition. The estimated service life, the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted at least at each year-end.

The service life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Estimated service lives (years)	Expected residual value	Annual depreciation rate
Buildings	5-50	5%	1.90%-19.00%
pipe network	20	5%	4.75%
Machinery equipment	5-20	5%	4.75%-19.0%
Motor vehicles	2-10	5%	9.50%-47.50%
Office and electronic equipment	3-5	5%	19.00%-31.67%
Other equipment	5-10	5%	9.50%-19.00%

(2) Subsequent expenditures of fixed assets

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset if it meets the recognition criteria. Other subsequent expenditures are recognized in current period profit or loss when occurred.

(3) Disposal of fixed assets

A fixed asset is de-recognized on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposal on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses are recognized in current period profit or loss.

14.4. The method of impairment test and provision for impairment losses of fixed assets

The Company assesses at the balance sheet date whether there is any indication that the fixed assets may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets.

If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognized in profit or loss.

An adjustment on depreciations of impaired fixed assets should be made in subsequent periods in order to amortize the adjusted book value of the fixed asset reasonably (net of residual value).

Once the impairment loss is recognized, it may not be reversed in any subsequent period.

Recoverable amount is estimated on an item-by-item basis if it is indicated that impairment exists on an individual fixed asset. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated.

14.5. Fixed Assets under finance leases

Capital lease meets any of the five criteria below:

(1) The ownership of the leased asset will be transferred to the Company at the end of lease term.

(2) The lease contains a bargain purchase option. Purchasing price will be far below the market price of the asset at the time of exercising the option. It is confirmed rationally that the Company will exercise the bargain purchase option at the beginning of the lease term.

(3) The lease term takes the most economic life of the leased asset even if the lease does not transfer the ownership to the lessee.

(4) The present value of minimum lease payments is almost equivalent of the fair value of the leased asset.

(5) The leased assets are of a specialized nature that only the lessee can use them without making major modifications.

For the leased assets, initial recorded value is determined by the lower of present value of minimum lease payment and the fair value of the asset at the beginning of the lease term. Minimum lease payment is recognized as long-term payable. Differences between long-term payable and initial recorded value of the asset is recorded as unrecognized financing charges. Direct fees such as handling charges, legal service fees, travel allowances, stamp-taxes should be included in the initial cost of the leased asset. Unrecognized financing charges should be amortized using effective interest rate during the lease term.

Fixed assets that are held under capital leases shall be depreciated by applying the same policy as that for the fixed assets owned by the Company. If it is probably that the ownership of the leased assets can be obtained at the end of the lease period, the leased assets are depreciated over their service lives; otherwise, the leased assets are depreciated over the shorter of the lease terms or the service lives of the leased assets.

(XV)Construction in progress

15.1. Classification of construction in progress

Construction in progress is measured at its actual costs. The actual costs include necessary construction expenditures during the construction period, such as materials, labor cost, taxes payable and capitalized borrowing costs, indirect cost which should be allocated and other relevant costs. Construction in progress of the Company are recorded on a program basis.

15.2. Criteria and timing for completion of construction in progress

The initial cost of fixed assets are all the necessary expenditures for the construction in progress. If the project meets the intended condition for use but do not settled for final account, the cost of the project (fixed asset) should be the estimated value based on construction budget, estimated cost of construction or actual cost. The fixed asset should be depreciated according to the depreciation policy of the Company.

15.3. Impairment on construction in progress

The Company assesses at the balance sheet date whether there is any indication that construction in progress may be impaired.

If it is indicated that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on an item-by-item basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated.

If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognized in current period profit or loss. Once the impairment loss of construction in progress is recognized, it shall not be reversed in any subsequent period.

(XVI)Borrowing Costs

16.1. Basis for borrowing costs recognition

Borrowing costs that directly attribute to the construction or production of fixed asset can be capitalized when capitalization criteria are met. Other borrowing costs are recognized as expenses in the period when incurred.

Assets that can be capitalized refer to fixed assets, investment properties, inventories or other assets that it will take a long time to construct or product to meet the intend usage or selling condition.

Capitalization start when the following criteria are satisfied:

(1) Expenditures for the asset have occurred. Such expenditures include cash payments, transfer of non-cash assets or bearing debts with interest in order to construct or product assets that can be capitalized.

(2) Borrowing costs have accrued.

(3) Construction or production activities which are necessarily have begun in order to meet the intend usage or selling condition.

16.2. Capitalization period of borrowing cost

Capitalization period refer to the duration from start of the capitalization to the stop of the capitalization. It does not include the period when capitalization is suspended.

Capitalization for borrowing costs is suspended when assets that can be capitalized meet the intended usage or selling condition.

Capitalization for borrowing costs would be stopped when assets that can be capitalized meet the intended usage or selling condition and can be used alone.

If all parts of assets in construction or production are completed, but intended usage or selling condition would have met only the entire project is finished, capitalization should be stopped after the completion of entire project.

16.3. Suspended period of borrowing cost

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualified asset is interrupted abnormally and when the interruption is for a continuous period of more than 3 months. If the suspension is necessary for the construction or production of the qualified asset, borrowing cost can be capitalized continuously. Capitalization is suspended until the acquisition; construction or production of the asset is resumed. Borrowing costs are recognized as an expense in the period when in an unexpected suspension until the construction or production activities resume.

16.4. Borrowing costs capitalization method

For the specific-purpose borrowings, borrowing costs and related expenses (net of any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalization period) are eligible for capitalization before the intended usage or selling conditions are met of construction or production of qualified assets.

For the general-purpose borrowings, capitalized borrowing costs can be determined by the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings multiple the capitalization rate of general-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

Where there is any discount or premium, the real interest rate method is used in estimation of the amortization discounts or premiums during each accounting period. An adjustment shall be made to the amount of interests in each period.

(XVII)Intangible assets

Intangible asset refers to the identifiable non-monetary assets which do not have physical shape and possessed or controlled by the Company.

17.1. Initial measurement of intangible assets

Costs of intangible assets consist the purchase price, relevant taxes and other necessary expenditure directly attributable to such assets ready for their intended use. Where the payment of purchase price for intangible assets is delayed beyond the normal credit conditions, which is of financing intention, the cost of intangible assets shall be determined on the basis of the present value of the purchase price.

The initial cost of intangible assets obtained by debt restructuring shall be recorded in fair value. The difference between book value of restructuring debt and fair value of debt-expiated assets is recognized in current period profit or loss.

If the transaction is commercial in nature and fair values of both the assets received and surrendered can be reliably measured, the fair value of the assets surrendered shall be the basis for the determination of the cost of the assets received, unless there is any exact evidence showing that the fair value of the assets received is more reliable. Where a non-monetary assets transaction does not meet the conditions as prescribed above, the book value and relevant payable taxes of the assets surrendered shall be the initial cost of intangible assets received.

The intangible assets that the combining party obtains in a business combination under the same control shall be measured on the basis of their carrying amount in the combined party on the acquisition date. The intangible assets that the combining party obtains in a business combination not under the same control shall be measured on the basis of their fair value on the acquisition date.

The cost of self-developed intangible assets includes material cost, services cost, registration fee, amortization of other patent rights and royalties, or borrowing costs, and other expenses incurred to bring such assets to its intended use.

17.2. Subsequent measurement of intangible assets

Intangible assets may be classified into two categories: the one with a finite service life and the one without a definite service life.

(1) Intangible asset with a finite service life

If an intangible asset with a finite service life is available for use, its original cost is amortized over its estimated service life. Such intangible assets are as follows:

Item	Service life (years)	Note
Franchise right	13-30 years	
software	5 -10 years	
Land usage right	20-50 years	

For an intangible asset with a finite service life, the service life and amortization method should be re-estimated at each year-end, and adjustments should be made when necessary.

According to the review, service life and amortization method of the Company are the same as previous period.

(2) Intangible asset without a definite service life

An intangible asset without a definite service life does not need to be amortized. Review of its service life are performed at each year-end.

17.3. Impairment of intangible assets

Assets with a finite service life should be tested for impairment at the balance sheet date if there is an obvious indication of impairment of the asset.

Assets without a definite service life should be tested for impairment at the balance sheet date.

Recoverable amount can be determined by the higher of fair value of the asset (net of expenses for disposal) and present value of future cash flow.

If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognized in profit or loss for the current period.

Once intangible assets impaired, the amortization amount should be adjusted over the residual useful life.

Once the impairment loss of such assets is recognized, it cannot be reversed in any subsequent period.

If there is any indication that an individual asset may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined.

17.4. Criteria for classification of the research phase and development phase

Research phase refers to the creative and planned investigation to acquire and understand new scientific or technological knowledge.

Development phase refers to the application of research achievements and other knowledge to a certain plan or design, prior to the commercial production or use, in order to produce any new material, device or product, or substantially improved material, device and product.

Expenditure on research phase is recognized in profit or loss in the period when occurs.

17.5. The capitalization criteria for expenditure on development phase

Expenditure on development phase is capitalized only if all of the following conditions are satisfied:

(1) development of the production process has been fully demonstrated by the technical team;

(2) management has the intend to use or sell the asset;

(3) market research analysis suggests that the products generated by the intangible asset are able to be promoted, active market exists for the intangible asset itself, or it can be proved useful for internal use;

(4) the development of the asset is supported by technics, money and other resources and the the intangible asset can be sold or used; and

(5) the expenditure attributable to the intangible asset during its development phase can be reliably measured.

Other development expenditures that do not meet the conditions above are recognized in profit or loss in the period in when occurred. Development costs previously recognized as expenses are not recognized as an asset in a subsequent period. Capitalized expenditure on the development phase is presented as development costs on the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

(XVIII)Long-term deferred expenses

18.1. Amortization method

Long-term deferred expenses refer to the expenses which are paid but amortization period of these expenses is more than one year. Long-term deferred expenses are amortized using the straight-line method over the expected periods in which benefits are derived.

18.2. Amortization periods

Amortization period is determined according to expected periods in which benefits are derived.

(XIX)Employee Benefits

Employee benefits refers to all kinds of payments and other relevant expenditures incurred in exchange for service rendered by employees or various forms of rewards or compensation due to severance of labor relation. Employee benefits mainly include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

19.1. Short-term employee benefits

Short-term employee benefits refer to employee benefits that are expected to be paid within one year from the balance sheet date except for post-employment benefits and termination benefits. The employee benefits payable are recognized as liability in the accounting period of employee's years of service, and to which the employee service is attributable costs are recognized in assets or expenses.

19.2. Post-employment benefits

Post-employment benefits refer to the benefits or compensation provided by the Company after retirement of an employee or termination of labor relation. The Company classifies post-employment benefit plans into either defined contribution plans and defined benefit plans.

Defined contribution plans are post-employment benefit plans mainly include basic pensions, unemployment insurance and enterprise annuity. The post-employment benefits payable are recognized as liability in the accounting period of employee's years of service, and to which the employee service is attributable costs are recognized in assets or expenses.

The Company will no longer have payment obligation when all the payments are made in accordance with regulations or pension plans.

19.3. Termination benefits

Termination benefits refer to compensation provided to those staff who terminate the labor contract before the due date or voluntarily quit the job with approval from the management team. Termination benefits are recognized in profit or loss in the period in the earlier date that labor relationship cannot be termination by the company alone or expenditures related to compensation payment are recognized.

The Company provides early retirement benefits to employee who is willing to accept the early retirement plan of the Company. Early retirement benefits refer to the salaries payable and social insurance payable for employees who do not reach the retiring age but retired from the Company willing and the retirement are approved by the management of the Company. Early retirement benefits will be paid from the date of early retirement to the date of mandatory retirement. Accounting treatments for early retirement benefits are similar to those for termination benefits. Salaries payable and social insurance payable for employees are considered as liabilities and should be recognized in profit or loss of the period. Difference between actuarial assumption and adjustment to welfare standard should be recorded in profit or loss in the period of accrual.

19.4. Other long-term employee benefits

Other long-term employee benefits refer to employee benefits except short-term benefit, post-employment benefit termination benefits.

Other long-term employee benefits payable which qualified defined contribution plans are recognized as liability in the accounting period of employee's years of service, and to which the employee service is attributable costs are recognized in assets or expenses. Other long-term employee benefits which are not included in above are recognized as assets or expenses of employee's years or service.

(XX)Share-based Payment

20.1. Classification

Share-based payment can be classified as equity-settled share-based payment and cash-settled shared-based payment.

20.2. Measurement for fair value of equity instrument

For equity instrument such as option that has active market, fair value of the instrument can be determined by the market price. For equity instrument such as option that does not have active market, fair value of the instrument can be determined by pricing model. The following factors should be considered in choosing the pricing model: (1) Executive price of the option; (2) validity period of the option; (3) current price of the share; (4) expected fluctuation of share price; (5) expected dividends; (6) non-risk rate of the option in validity period.

When determine the fair value of equity instrument at vesting date, market conditions of vesting conditions and non-vesting conditions in the agreement of share-based payment should be considered. If the share-based payment has non-vesting conditions, costs and expenses can be recognized when non-market conditions of vesting conditions such as service period are satisfied.

20.3. Criteria for best estimation determination of vested equity instruments

On a balance sheet date of each waiting period, quantities of the vested equity instruments should be modified based on the best estimation of the payment. The best estimation can be determined using information such as changes in numbers of employees. At vesting date, quantities of the vested equity instruments that are expected are the same as the actual amount.

20.4. Accounting treatment for execution, modification and termination of share-based payment

Equity-settled share-based payment shall be measured at the fair value of the equity instruments granted to the employees. For the equity instrument that can be exercised immediately after grant, cost or expense should be measured at fair value, and capital surplus should also be recorded on the date of grant. If a share-based payment is exercisable when services are completed or certain conditions are met in waiting period, costs, expenses or capital surplus should be recognized at fair value of granted date of equity instrument. Such accounting treatments should be made on each balance sheet date and based on the best estimation of the quantity of vested equity instruments. No adjustment to costs (or expenses) and owner's equity will be made after vesting date.

Cash-settled share-based payment shall be measured at the fair value of the liability that the Company is responsible for based on the share or other equity instruments. For the equity instrument that can be exercised immediately after grant, costs or expenses should be measured at fair value of the liability that the Company is responsible for, and liability should also be recorded on the date of grant. If a share-based payment is exercisable when services are completed or certain conditions are met in waiting period, cost, expense or liability should be recognized at fair value of the liability that the Company is responsible for. Such accounting treatments should be made on each balance sheet date and based on the best estimation of the quantity of vested equity instruments. Fair value of the liability should be revaluated at settlement date or on each balance sheet date before settlement date. Changes in fair value are recognized in current period profit or loss.

20.5. Modification in current period (if applicable) and related accounting treatment

If the granted equity instrument is revoked during waiting period, the equity instrument should be treated as accelerated exercise. The remaining amount which should be recognized during the waiting period will be recorded in current period profit or loss and capital surplus. If non-vesting conditions are not satisfied during waiting period, granted equity instrument should be treated as revocation.

(XXI)Bonds Payable

21.1. General bonds

Bonds payable measured at fair value through profit or loss should be measured at fair value at initial recognition and subsequent measurement. Direct transaction fees should be recorded in current period profit or loss.

For bonds other than the type mentioned above, initial cost includes the fair value of the bond and direct charges and amortized cost method should be used in subsequent measurement.

21.2. Convertible bond

At initial recognition, convertible bonds should be partitioned into two compositions: the liability and the equity. The liability is recorded as bonds payable while the equity is recorded as capital reserve. The liability should be measured firstly using present value of its future cash flows. Initial cost for equity part is total issuing value of the bond minus the amount of liability recognized. Direct charges are partitioned based on the fair value of the liability and equity composition.

(XXII)Provisions

22.1. Criteria for recognition of provisions

Provisions are when the following conditions are satisfied simultaneously: (1) That obligation is a current obligation of the c; (2) It is likely that economic benefit will flow out of the enterprise as a result of performance of the obligation; (3) The amount of the obligation can be measured in a reliable way.

22.2. Measurement of provisions

A provisions is initially measured at the best estimate of the expenditure required to settle the related present obligation.

Factors such as risks, uncertainties and the time value of money should be taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by present value of future cash outflows.

Best estimation can be determined based on the following situation:

If the amount of the money need is in a continuous interval and any amount in that interval is equally possible, the best estimation is determined by the mean value of maximum number and minimum number.

If the amount of the money need is not in a continuous interval or it is in a continuous interval but not equally possible to occur, two situations should be considered. For a contingency that involves a single item, the most likely outcome is the best estimation. For a contingency that involves more than one item, best estimation should be calculated based on the probability of every possible outcome.

When all or part of the provisions of the Company is paid off or compensate by a third party and it is virtually certain that the money will be received, the compensation should be recognized as an asset. The recognized amount of the compensation cannot exceed the book value of the provisions.

(XXIII)Revenue

23.1. Revenue from sale of goods

Revenue from sale of goods is recognized when (1) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the associated economic benefits will flow to the Group; and (5) the associated costs incurred or to be incurred can be measured reliably.

Where the receivable is delayed beyond the normal credit conditions, which is of financing intention, the revenue shall be determined on the basis of the fair value of the contract or agreement price.

23.2. Transfer of asset use rights

Revenue from transferring the right to use assets may be recognized only when both of the following conditions are satisfied: it is probable that the associated economic benefits will flow to the enterprise and the amount of the revenue can be measured reliably.

The amount of interest should be measured and confirmed in accordance with the length of time for which the enterprise's currency fund is used by others and the effective interest rate.

The amount of royalties should be measured and confirmed in accordance with the period and method of charging as stipulated in the relevant contract or agreement

23.3. Revenue from rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference the stage of completion of the transaction at the reporting date. The stage of completion of the transaction is recognized according to the proportion of the cost having taken place occupied the estimated total cost.

The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

(1) the amount of revenue can be measured reliably;

(2) it is probable that the associated economic benefits will flow to the enterprise;

(3) the stage of completion of the transaction can be measured reliably;

(4) the costs incurred and to be incurred for the transaction can be measured reliably.

Revenues from services can be determined by the contract price or related agreement except that the price of contract or agreement does not represent fair value. At the balance sheet date, revenues in current period should be recognized as total revenue times percentage of completion, net of revenues recorded in prior period.

If the outcome of a transaction involving the rendering of services cannot be estimated reliably at the balance sheet date, two accounting processes are eligible:

(1) If costs incurred are expected to be recoverable, revenue shall be recognized to the extent of costs incurred and an equivalent amount shall be charged to profit or loss as service costs;

(2) If the costs incurred are not expected to be recoverable, the costs incurred shall be recognized in profit or loss for the current period and no service revenue shall be recognized.

When the contract or agreement consists both selling goods or rendering services, accounting treatment depends on whether these two items can be identified and measured separately. If sales and services can be identified and measured separately, they should be recognized separately. If these two items cannot be identified and measured separately or can be identified but not measured separately, all the transactions should be treated as sales.

23.4. Transfer of asset with buy-back condition

The company determined whether sale of goods or transfer of assets with buy-back condition in contract is satisfy criteria of revenue recognition or not according to clauses of agreement. If it is a financing transaction, revenue cannot be recorded. The amount of buy-back price after sales price is recognized in financial cost during the term of buy-back.

(XXIV)Construction contracts

1.If the result of the construction contract is able to be evaluated reliably at the balance sheet date, the income and cost of the contract are recognized on percentage-of-completion method. The term "percentage-of-completion method" means a method by which the contractor recognizes its revenues and costs in the light of the schedule of the contracted project.

The outcome of a fixed price contract can be estimated in a reliable way when all of the conditions as follows are met simultaneously:

(1) The total contract revenue can be measured in a reliable way;

(2) The economic benefits pertinent to the contract will flow into the company;

(3) The actual contract costs incurred can be clearly distinguished and can be measured in a reliable way; and

(4) Both the schedule of the contracted project and the contract costs to complete the contract can be measured in a reliable way.

The outcome of a cost plus contract can be estimated in a reliable way when the conditions as follows are met simultaneously:

(1) The economic benefits pertinent to the contract will flow into the company;

(2) The actual contract costs incurred can be clearly distinguished and can be measured in a reliable way.

On the balance sheet date, the current contract revenues are recognized in accordance with the balance of the total contract revenues times the schedule of completion then deducting the accumulated revenue recognized in previous accounting periods. At the same time, the current contract expenses are recognized in accordance with the balance of the expected total contract costs times the schedule of completion then deducting the accumulated expenses recognized in previous accounting periods.

2.If the result of the construction contract is not able to be evaluated reliably, it shall be treated in accordance with the circumstances as follows, respectively:

(1) If contract cost can be recovered, the income is recognized at the cost actually recovered, and the cost of the contract is recognized as contract expenses of the current period when it is

occurred.

(2) If contract costs cannot be recovered, these costs are recognized as contract expenses immediately when incurred and no contract revenue is recognized.

3.In case the expected total cost is greater than the total income, the expected loss will be recognized as expense of the current period.

(XXV)Government grants

25.1. Classification

Government grants are transfers of monetary or non-monetary assets from the government to the company at no consideration. Government grants consist of the government subsidies grants to assets and government grants pertinent to income.

A government grant related to an asset is grant received aimed to create long-term asset by constructing or other methods. Government grant related to income is any grant other than government grant related to an asset.

25.2. Recognition

A government grant is recognized when the conditions attached to it can be complied with and the government grant can be received. Otherwise, government grant is recognized in period in which it is incurred.

25.3. Accounting treatment

For a government grant in the form of transfer of monetary assets, the grant can be treated as deferred income. The grant should be amortized evenly over the service life of the related asset and recognized in non-operating profit or loss in current period.

For the grant which related to income, if it is a compensation for related expenses or losses to be incurred by the company in the subsequent periods, the grant is recognized as deferred income, and recorded in non-operating income over the periods in which the related costs are recognized. If the grant is a compensation for related expenses or losses that have already incurred by the company, the grant is recognized immediately in non-operating income for the current period.

If it is necessary to refund any government grant which has been recognized, it shall be treated respectively in accordance with the circumstances as follows:(1) If there is the deferred income concerned, the balance of the deferred income shall be offset against, but the excessive part shall be included in the current profits and losses; and (2) If there is no deferred income concerned, it shall be directly included in the current profits and losses.

(XXVI)Deferred tax assets and deferred tax liabilities

26.1. Recognition of deferred tax assets

Deductible temporary differences are calculated to the extent of the taxable profits that will be available against which the temporary differences can be deducted. Deferred tax assets are determined based on deductible temporary differences.

26.2. Recognition of deferred tax liabilities

Deferred tax liabilities are determined based on taxable temporary differences of payables between current period and prior period. No deferred tax liability is recognized for a temporary difference arising from the initial recognition of goodwill, assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss).

(XXVII)Leases

Leases are classified as capital leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

27.1. Operating leases

(1) As a lessee, the Company recognizes operating lease payments as expenses in the income statement and amortizes the payments on a straight-line basis over the lease term. Initial direct cost will charged to profit or loss for the current period.

If the lessor pays related expenses which should be paid by the Company, such expenses need to be deducted from lease payment. The rest of the payment is amortized in the lease term and recorded in current period profit or loss.

(2) As a lessor, the Company recognized lease rent in the current period profit or loss and the lease payment need to be amortized on a straight-line basis over the lease term (include rent-free period). The initial direct costs should be recorded into the profits and losses of the current period. Lease payment can be capitalized if it is in a large amount. The capitalized rent payment is amortized and recorded in current period profit or loss during the lease term on the same basis of recognition of rental income.

If the Company pays related expenses which should be paid by the lessee, such expenses need to be deducted from rental income. The rest of the payment is amortized in the lease term.

27.2. Capital lease

(1)If the Company is a lessee: Finance leased assets are capitalized at the inception of the lease at the lower of fair value of the leased asset or the present value of the minimum lease payments. The minimum lease payment is recognized as long-term payable and the differences are recorded as unrecognized financing fees.

Effective interest method should be used in amortizing unrecognized financing fees during lease term. The amortized amount should be recognized in current period profit or loss.

(2)If the Company is a lessor: On the beginning date of the lease term, the difference between present value of future cash flow and the sum of the minimum lease receipts and the unguaranteed residual value shall be recognized as unrealized financing income. These financing income shall be recognized in profit or loss in the period which rental income received. Direct expenses paid by the Company are included in lease receivable at initial recognition and deducted from total income in the lease term.

(XXVIII)Held-for-sale assets

28.1. Recognition criteria

The Company recognizes the component of a business (or non-current assets) as held-for-sale assets if the following criteria are met:

(1) The component of the business is available for sale merely according to common provision of selling that kind of component.

(2) Formal decision has been made to dispose the component. The decision is authorized by shareholders or similar organizations if needed.

(3) The Company and the transferee signed a non-revocable agreement.

(4) The transfer of the asset will be completed with one year.

28.2. Accounting for Hold-for-sale assets

For held-for sale fixed asset, residual value should be adjusted to the amount that indicates the fair value of the asset, net of charges for disposal. The adjusted amount should not exceed the book value of the asset when it meets the criteria of held-for-sale asset. Difference between the original book value and the adjusted residual value should be recognized as asset impairment and recorded in current period profit or loss. Depreciation or amortization is not applied for held-for sale assets which should be measured at lower of book value or net amount of fair value minus disposal charges.

Accounting treatments for equity investments, intangible assets or other non-current assets that meet the criteria of held-for sale assets are similar to those indicated above, except for deferred tax assets, financial assets that stated in No.22 principals for financial instruments of Accounting Standards for Business Enterprises ("ASBE"), investment properties which measured at fair value, biological assets, or contract rights that generated from insurance contracts.

V . Changes of significant accounting policies, accounting estimates and corrections of critical errors in prior period

(I) Changes in significant accounting policies

No changes in significant accounting policies occurred in the reporting period.

(II) Changes in accounting estimates

No alteration of accounting estimates occurred in the reporting period.

(III) Corrections of previous period critical errors

No critical error corrections of prior period occurred in the reporting period.

VI . Explanation of Item changed in financial statement

On 3 December 2016, the ministry of finance issued "Regulations on value added tax accounting” (Cai Kuai [2016] no. 22.)According to Regulations on value added tax accounting, account name of Business Tax and Surcharge was changed to Tax and Surcharge after replacement business tax with value-added tax. This subject measures consumption tax, urban maintenance and construction tax, resource tax, education surplus, property tax, land use tax, vehicle and vessel use tax, stamp tax and any other taxes. At same time, the subject “Business tax and additional tax” changes to the “Tax and additional tax” in the income statement.

The document also require the classification subject of “tax payable” which “VAT payable”, “unpaid VAT”, “pending deduct VAT on purchase”, “pending VAT on purchase”, “overpaid VAT” will be showed at “other current liabilities” or “other non-current liabilities” in balance sheet. “Tax payable---pending Substituted VAT” will be showed at “other current liabilities” or “other non-current liabilities” in balance sheet.

The company has adjusted amounts about assets, liabilities, gains and losses which affect by the regulation, including the property tax, land use tax, vehicle and vessel use tax and stamp tax and all subjects value adjusted from “Administrative expenses” to “Tax and surcharge” is 11,818,423.83 Yuan. 8,657,406.29 Yuan was adjusted from “Tax payable” to “Other current assets”. The transactions that occurred between 1st January to 30th April in 2016 was not adjusted and financial statements in comparable accounting period was not adjusted either.

VII．Taxation

The types and rates of taxes applicable to the Company and its subsidiaries are set out below:

(I) Circulation tax and additional tax

Taxable items	Tax basis	Tax rate	Note
Business tax	Income from rendering of services	3%、5%	
Value-add tax	Income from domestic sales of goods; income from processing, maintenance services.	3%、6%、11%、13%、17%	
Urban maintenance and construction tax	VAT and Business tax paid	7%	
Education surplus	VAT and Business tax paid	3%	
Local Education surplus	VAT and Business tax paid	2%	

(II) Income tax of the Company and its important subsidiaries

Entities	Tax rate	Note
The company	25%	
Yinchuan China Railway Water Group Co., Ltd.	15%	
Yinchuan Xinhua Bookstore	15%	
Yinchuan Municipal Construction Investment Holdings Ltd	25%	
Yinchuan the Western Xia Regime Cemetery Culture tourism investment Co., Ltd	25%	
Ningxia Jindunsiwei security escort service Co., Ltd	25%	
Yinchuan West Water Supply Co., Ltd	25%	
Yinchuan Public Transportation Co., Ltd	25%	

(III) Tax preferences and documents of approval

(1) Corporations are eligible to tax preferences for western development enterprise if it meets rules or criteria of regulation. According to Notice to Filings of Tax Preferences, Income tax rate of Yinchuan China Railway Water Group Co., Ltd. is 15%.

(2) According to documents of approval (Ning Cai Shui Fa [2014] No.1018), Yinchuan Xinhua Bookstore is eligible to income tax exempt from 1 Jan 2014 to 31 Dec 2018.

(3) According to the approved documents(Ning Zheng Fa [2014] No.86), the corporate income tax of Yinchuan Comprehensive Bonded Zone Investment Development Co. Ltd is 15%. Meanwhile, land use tax will not be collected for 5 years and property will not be collected for 3 years.

VIII．Business combinations and consolidated financial statements

(I) Information of subsidiaries

For the year 2016, the scope of consolidated financial statements comprises 48 companies, including 12 secondary subsidiaries, 28 three-stage level companies and 8 four-stage level companies.

No.	Full name of the subsidiary	Level	Type of business	Place of registration	Place of operation	Nature of business
1	Yinchuan Municipal Construction Investment Holdings Ltd	2	1	Yinchuan City, Ningxia	Yinchuan City, Ningxia	Equity investment, venture capital investment, capital operation, project cooperation, acquisition, merger and reorganization; financial consulting; investment consulting
2	Yinchuan City Land Development Co., Ltd.	3	1	Yinchuan City, Ningxia	Yinchuan City, Ningxia	Real estate development and property services
3	Yinchuan Yiding Project Management Consulting Co., Ltd.	3	1	Yinchuan City, Ningxia	Yinchuan City, Ningxia	Bidding agency, project management, engineering supervision, engineering or cost consulting
4	Yinchuan Green Expo Garden Management Co., Ltd	3	1	Yinchuan City, Ningxia	Yinchuan City, Ningxia	Green Expo Garden operation and management
5	Yinchuan Shun Bo Parking Management Co., Ltd.	3	1	Yinchuan City, Ningxia	Yinchuan City, Ningxia	Parking lot investment, construction and operation
6	Yinchuan Yellow River Military Culture Expo Development Co., Ltd.	3	1	Yinchuan City, Ningxia	Yinchuan City, Ningxia	development and management of tourism resource
7	Yinchuan Tuoxin Property Services Co., Ltd.	3	1	Yinchuan City, Ningxia	Yinchuan City, Ningxia	Property management, hotel management, landscaping, cleaning service, Interior decoration and construction
8	Ningxia Saishang Culture City Co., Ltd	3	1	Yinchuan City, Ningxia	Yinchuan City, Ningxia	Performance and agency service
9	Yinchuan Gas Heating Co., Ltd.	3	1	Yinchuan City, Ningxia	Yinchuan City, Ningxia	Gas transmission and distribution
10	Yinchuan Binhe Yellow River Bridge Management Co., Ltd.	3	1	Yinchuan City, Ningxia	Yinchuan City, Ningxia	Traffic infrastructure investment and construction
11	Yinchuan City Public Transportation Co., Ltd	3	1	Yinchuan City, Ningxia	Yinchuan City, Ningxia	Bus operation
12	Yinchuan City Rapid	4	1	Yinchuan	Yinchuan City,	Bus operation

No.	Full name of the subsidiary	Level	Type of business	Place of registration	Place of operation	Nature of business
	Transit Co., Ltd.			City , Ningxia	Ningxia	
13	Yinchuan Bus Xixia Co., Ltd.	4	1	Yinchuan City , Ningxia	Yinchuan City, Ningxia	Bus operation
14	Yinchuan Bus Helan Co., Ltd.	4	1	Helan Country , Ningxia	Helan Country , Ningxia	Bus operation
15	Yinchuan Public Transport Oil and Gas Sales Co., Ltd.	4	1	Yinchuan City , Ningxia	Yinchuan City, Ningxia	Filling gas for motor vehicles
16	Ningxia Yinchuan Bus Tourism Co., Ltd	4	1	Yinchuan City , Ningxia	Yinchuan City, Ningxia	Tourism service and bus operation
17	Yinchuan Public Transportation Yongning Co., Ltd	4	1	Yongning, Ningxia	Yongning, Ningxia	Bus operation
18	Yinchuan Public Transportation Binhe Co., Ltd	4	1	Yinchuan City , Ningxia	Yinchuan City, Ningxia	Bus operation
19	Yinchuan Bus Leasing Co., Ltd	4	1	Yinchuan City , Ningxia	Yinchuan City, Ningxia	Bus operation
20	Yinchuan Municipal Construction and Comprehensive Tunnel Investment Construction Management Co., Ltd	2	1	Yinchuan City , Ningxia	Yinchuan City, Ningxia	Municipal project management
21	Yinchuan Xinhua Bookstore	2	1	Yinchuan City , Ningxia	Yinchuan City, Ningxia	Selling audio - visual products, books, electronic devices, etc.
22	Yinchuan China Railway Water Group Co., Ltd.	2	1	Yinchuan City , Ningxia	Yinchuan City, Ningxia	Water supply, repair and installation of water pipe, underground pipeline leak detection and house leasing
23	Yinchuan China Railway Water Group Helan Water Supply Co., Ltd.	3	1	Helan Country , Ningxia	Helan Country , Ningxia	Production and supply of water；repair and installation of plumbing；sale of construction materials
24	Yinchuan China Railway Water Group Yongning Water Supply Co., Ltd.	3	1	Yongning Country , Ningxia	Yongning Country , Ningxia	Production and supply of water；repair and installation of plumbing；sale of construction materials

No.	Full name of the subsidiary	Level	Type of business	Place of registration	Place of operation	Nature of business
25	Yinchuan China Railway Water Group Lingwu Water Supply Co., Ltd.	3	1	Lingwu City，Ningxia	Lingwu City，Ningxia	Water supply, repair and installation of plumbing；sale of water pipe or related components
26	Yinchuan China Railway Water Group East River Water Supply Co., Ltd.	3	1	Yinchuan City，Ningxia	Yinchuan City，Ningxia	Water supply and repair and installation of plumbing
27	Yinchuan China Railway Water Group Municipal Engineering Co., Ltd.	3	1	Yinchuan City，Ningxia	Yinchuan City，Ningxia	Public works construction
28	Yinchuan Haocheng Municipal Engineering Design Institute of Water Source	3	1	Yinchuan City，Ningxia	Yinchuan City，Ningxia	Municipal public(drainage) leading technology
29	Ningxia Hongyou Engineering Project Management Co., Ltd.	3	1	Yinchuan City，Ningxia	Yinchuan City，Ningxia	Municipal, industrial or civil engineering construction management
30	Yinchuan Water Company's Service Department	3	1	Yinchuan City，Ningxia	Yinchuan City，Ningxia	Plumbing construction technology services and water supply machineries repair
31	Yinchuan Research Institute of Water Quality	3	1	Yinchuan City，Ningxia	Yinchuan City，Ningxia	Water monitoring, technical service and technical consultation
32	Ningxia Yinchuan Water Meter Calibration Station	3	1	Yinchuan City，Ningxia	Yinchuan City，Ningxia	Water meter calibration, assembly and repair
33	Yinchuan Longquan Mineral Water Co., Ltd.	3	1	Yinchuan City，Ningxia	Yinchuan City，Ningxia	production and sale of mineral water
34	Yinchuan China Railway Water Group Runchuan Industry Development Co., Ltd.	3	1	Yinchuan City，Ningxia	Yinchuan City，Ningxia	Water pipe and equipment maintenance and sale
35	Yinchuan China Railway Water Group Second Water Supply Co., Ltd	3	1	Yinchuan City，Ningxia	Yinchuan City，Ningxia	Water supply, design, setup and maintenance
36	Yinchuan the Western Xia Regime Cemetery Culture tourism investment Co., Ltd	2	1	Yinchuan City，Ningxia	Yinchuan City，Ningxia	Development and management of tourism resources

No.	Full name of the subsidiary	Level	Type of business	Place of registration	Place of operation	Nature of business
37	Ningxia Jindunsiwei Security Escort Service Co., Ltd	2	1	Yinchuan City , Ningxia	Yinchuan City, Ningxia	Security escort of cash, securities, jewelries and dangerous cargo
38	Yinchuan West Water Supply Co., Ltd	2	1	Yinchuan City , Ningxia	Yinchuan City, Ningxia	Water supply and repair and installation of plumbing
39	Yinchuan City smart card Co., Ltd	2	1	Yinchuan City , Ningxia	Yinchuan City, Ningxia	Issuance and operation of prepaid card (Authorized by payment transactions license); software research and development
40	Jin Futong (Ningxia) electronic payment Co., Ltd	2	1	Yinchuan City , Ningxia	Yinchuan City, Ningxia	Internet payment, Cell phone payment and bank card payment (Authorized by payment transactions license)
41	Yinchuan Binhe Hengyi Fiber New Material Co., Ltd	2	1	Yinchuan City , Ningxia	Yinchuan City, Ningxia	Production of fiber, paper and plastic; machinery sale; Output and input service
42	Yinchuan Tongrong Zhengxin Capital Management Co., Ltd	2	1	Yinchuan City , Ningxia	Yinchuan City, Ningxia	Operating and leasing for houses and properties
43	Yinchuan Comprehensive Bonded Zone Investment and Development co., Ltd	2	1	Yinchuan City , Ningxia	Yinchuan City, Ningxia	Project construction; municipal construction
44	Yinchuan Comprehensive Bonded Zone International trade Co. Ltd	3	1	Yinchuan City , Ningxia	Yinchuan City, Ningxia	Operation must be approved by government
45	Yinchuan Comprehensive Bonded Zone Huanyu Space Industry Investment and Development Co. Ltd	3	1	Yinchuan City , Ningxia	Yinchuan City, Ningxia	Investment and consulting of space industry.
46	Yinchuan Comprehensive Bonded Zone Changlong Property Management co., Ltd	3	1	Yinchuan City , Ningxia	Yinchuan City, Ningxia	Maintenance and cleaning service for property
47	Yinchuan Comprehensive Bonded Zone Yuanyu Hotel Co., Ltd	3	1	Yinchuan City , Ningxia	Yinchuan City, Ningxia	Restaurant, hotel, entertainment, parking, conference service
48	Yinchuan Comprehensive Bonded Zone Xingyi Construction Development Co., Ltd	3	1	Yinchuan City , Ningxia	Yinchuan City, Ningxia	Real estate development and municipal construction

Continued:

No.	Full name of the subsidiary	Paid-in capital (in ten thousand RMB unless otherwise stated)	Proportion of ownership Interest (%)	Proportion of voting power (%)	Investment amount (in ten thousand RMB unless otherwise stated)	The way of acquired
1	Yinchuan Municipal Construction Investment Holdings Ltd	50,501.28	78.65	100.00	1,364,449.59	3
2	Yinchuan City Land Development Co., Ltd.	1,200.00	100.00	100.00	17,163.02	3
3	Yinchuan Yiding Project Management Consulting Co., Ltd.	100.00	100.00	100.00	100.00	3
4	Yinchuan Green Expo Garden Management Co., Ltd	500.00	95.00	95.00	89,812.50	3
5	Yinchuan Shun Bo Parking Management Co., Ltd.	100.00	100.00	100.00	100.00	3
6	Yinchuan Yellow River Military Culture Expo Development Co., Ltd.	42,000.00	100.00	100.00	42,000.00	3
7	Yinchuan Tuoxin Property Services Co., Ltd.	100.00	100.00	100.00	100.00	1
8	Ningxia Saishang Culture City Co., Ltd	100.00	100.00	100.00	8,868.85	3
9	Yinchuan Gas Heating Co., Ltd.	4,170.89	100.00	100.00	5,374.74	3
10	Yinchuan Binhe Yellow River Bridge Management Co., Ltd.	160,000.00	60.00	60.00	45,000.00	3
11	Yinchuan City Public Transportation Co., Ltd	13,965.68	100.00	100.00	4,380.44	3
12	Yinchuan City Rapid Transit Co., Ltd.	100.00	100.00	100.00	15,143.56	3
13	Yinchuan Bus Xixia Co., Ltd.	500.00	60.00	60.00	1,239.51	3
14	Yinchuan Bus Helan Co., Ltd.	100.00	51.00	51.00	5,164.28	3
15	Yinchuan Public Transport Oil and Gas Sales Co., Ltd.	6,000.00	100.00	100.00	6,006.39	3
16	Ningxia Yinchuan Bus Tourism Co., Ltd	102.00	100.00	100.00	102.00	3
17	Yinchuan Public Transportation Yongning Co., Ltd	500.00	51.00	51.00	2,420.94	3
18	Yinchuan Public Transportation Binhe Co., Ltd	100.00	60.00	60.00	60.00	1
19	Yinchuan Bus Leasing Co., Ltd	253.18	100.00	100.00	253.18	1
20	Yinchuan Municipal Construction and Comprehensive Tunnel Investment Construction Management Co., Ltd	583.00	21.46	100.00	505.60	3
21	Yinchuan Xinhua Bookstore	4,000.00	100.00	100.00	5,467.42	3
22	Yinchuan China Railway Water Group Co., Ltd.	98,008.36	51.00	51.00	50,937.08	3
23	Yinchuan China Railway Water Group Helan Water Supply Co., Ltd.	455.42	100.00	100.00	4,962.48	3
24	Yinchuan China Railway Water Group Yongning	523.75	100.00	100.00	1,270.36	3

No.	Full name of the subsidiary	Paid-in capital (in ten thousand RMB unless otherwise stated)	Proportion of ownership Interest (%)	Proportion of voting power (%)	Investment amount (in ten thousand RMB unless otherwise stated)	The way of acquired
	Water Supply Co., Ltd.					
25	Yinchuan China Railway Water Group Lingwu Water Supply Co., Ltd.	202.96	100.00	100.00	4,604.03	3
26	Yinchuan China Railway Water Group East River Water Supply Co., Ltd.	1,557.51	100.00	100.00	4,256.35	3
27	Yinchuan China Railway Water Group Municipal Engineering Co., Ltd.	2,176.11	100.00	100.00	1,900.50	3
28	Yinchuan Haocheng Municipal Engineering Design Institute of Water Source	75.78	100.00	100.00	158.21	3
29	Ningxia Hongyou Engineering Project Management Co., Ltd.	200.00	100.00	100.00	236.72	3
30	Yinchuan Water Company's Service Department	3.00	100.00	100.00	113.16	3
31	Yinchuan Research Institute of Water Quality		100.00	100.00		3
32	Ningxia Yinchuan Water Meter Calibration Station	38.33	100.00	100.00	21.95	3
33	Yinchuan Longquan Mineral Water Co., Ltd.	258.00	82.87	82.87	67.50	3
34	Yinchuan China Railway Water Group Runchuan Industry Development Co., Ltd.	8.10	100.00	100.00	8.10	3
35	Yinchuan China Railway Water Group Second Water Supply Co., Ltd		100.00	100.00		1
36	Yinchuan the Western Xia Regime Cemetery Culture tourism investment Co., Ltd	21,000.00	71.43	100.00	15,000.00	3
37	Ningxia Jindunsiwei Security Escort Service Co., Ltd	10,000.00	58.00	58.00	1,935.18	3
38	Yinchuan West Water Supply Co., Ltd	21,900.00	100.00	100.00	19,548.54	3
39	Yinchuan City smart card Co., Ltd	3,000.00	91.00	91.00	2,730.00	1
40	Jin Futong (Ningxia) electronic payment Co., Ltd	10,000.00	91.00	91.00	9,100.00	1
41	Yinchuan Binhe Hengyi Fiber New Material Co., Ltd	160.00	100.00	100.00	154.98	3
42	Yinchuan Tongrong Zhengxin Capital Management Co., Ltd	1,889.00	100.00	100.00	2,457.99	1
43	Yinchuan Comprehensive Bonded Zone Investment and Development co., Ltd	80,000.00	98.13	98.13	77,053.44	3
44	Yinchuan Comprehensive Bonded Zone International trade Co. Ltd	5,000.00	100.00	100.00	5,000.00	3
45	Yinchuan Comprehensive Bonded Zone Huanyu Space Industry Investment and Development Co. Ltd	2.00	100.00	100.00	2.00	3
46	Yinchuan Comprehensive Bonded Zone Changlong Property Management co., Ltd		100.00	100.00		3
47	Yinchuan Comprehensive Bonded Zone Yuanyu Hotel Co., Ltd		100.00	100.00		3

No.	Full name of the subsidiary	Paid-in capital (in ten thousand RMB unless otherwise stated)	Proportion of ownership Interest (%)	Proportion of voting power (%)	Investment amount (in ten thousand RMB unless otherwise stated)	The way of acquired
48	Yinchuan Comprehensive Bonded Zone Xingyi Construction Development Co., Ltd	2.00	100.00	100.00	2.00	3

Business Types: 1. Domestic non-financial subsidiary， 2. Domestic financial subsidiary， 3. Overseas subsidiary，4. State - run institutions，5. Construction unit.

Acquisition ways： 1.Initial established; 2. Business combination under common control; 3. Business combination under non-common control; 4. Others.

1.According to the approved document (Yin Guo Zi Fa [2014] No.224), the Company acquired 100% of the equity of Yinchuan Municipal Construction Investment Holdings Ltd. In the current period, CDB Development Fund Co., Ltd. invested 107 million to Yinchuan Municipal Construction Investment Holdings Ltd., so that proportion of shareholding of the Company decreased to 78.81%.

2. According to the approved document (Yin Guo Zi Fa [2014] No.230), the Company acquired 51% of the equity of Yinchuan China Railway Water Group Co., Ltd.

3. According to the approved document (Yin Guo Zi Fa [2014] No.225), the Company acquired 100% of the equity of Yinchuan Xinhua Bookstore.

4. According to the Yinchuan government conference, the company got 100% shares right of Yinchuan the Western Xia Regime Cemetery Culture tourism investment Co., Ltd. The Agricultural Development Bank of China Key Construction Fund co., Ltd invest 60,000,000.00 Yuan to the Western Xia Regime Cemetery Culture tourism investment Co., Ltd and the interest rate is 1.2%. The company decreased the shares right to 71.43% but has 100% vote right.

5. According to the approved document (Yin Guo Zi Fa [2014] No.229), the Company acquired 58% of the equity of Ningxia Jindunsiwei Security Escort Service Co., Ltd.

6. According to the approved document (Yin Guo Zi Fa [2015] No.160), the Company invested 91million as a registered capital to acquire 91% of the equity of Jin Futong (Ningxia) electronic payment Co., Ltd.

7. According to the approved document (Yin Guo Zi Fa [2015]226), the Company invested 27.3million as a registered capital to acquire 91% of the equity of Yinchuan City smart card Co., Ltd.

8. According to the approved document (Yin Guo Zi Fa [2015] No.8), the Company acquired 100% of the equity of Yinchuan Western Water Supply Co., Ltd.

9. The Company, CDB Development Fund, Yinchuan Municipal Construction Investment Holdings Ltd and State-owned Assets Supervision and Administration Commission of Yinchuan Municipal People's Government signed “CDB Development Fund investment contract”. According to that contract, CDB Development Fund invested construction projects such as underground sewage treatment and tunnel program, which constructed by Yinchuan Municipal Construction Investment Holdings Ltd. Total investment for the projects are 106.10million. It is agreed that return on investment income will be calculated on a fixed rate and the principal will be paid back at the end of term. In 2016, the CDB Development Fund invest 260,000,000.00 Yuan

and return on investment income will be calculated on a fixed rate and the principal will be paid back at the end of term. Company holds 78.81% of all shares of Yinchuan Municipal Construction Investment Holdings Ltd, but CDB Development Fund does not participate in daily operation of the investee so that the Company has 100% voting rights practically.

10. The company got 100% share right of Yinchuan Binhe Hengyi Fiber New Material Co., Ltd according to the document (Yin Guo Zi Fa (2016) No.58).

11. According to the document (Yin Guo Zi Fa (2016) No.208), the company registered Yinchuan Tongrong Zhengxin Capital Management Co., Ltd. The registered capital was 18,890,000.00 Yuan and the company have 100% share right. In addition, according to the document (Yin Guo Zi Fa[2016] No.259) approved by State-owned Assets Supervision and Administration Commission of Yinchuan Municipal People's Government, asset, transactions and employees of the Yinchuan Goods and Materials Group Co., Ltd would free transferred to the Yinchuan Tongrong Zhengxin Capital Management Co., Ltd. The Yinchuan Tongrong Zhengxin Capital Management Co., Ltd would unconditionally undertake the civil subjective status of Yinchuan Goods and Materials Group Co., Ltd.

12. According to the document (Yin Guo Zi Fa (2016) No.55), the company got the 100% share right of Yinchuan Comprehensive Bonding Zone Investment and Development Co., Ltd which the registered capital was from 15,000,000.00 Yuan to 800,000,000.00 Yuan and the share right proportion decreased to 98.13%.

13. Yinchuan Binhe Yellow River Bridge Management Co., Ltd was invested by Yinchuan Urban Construction Investment Holding Co., Ltd and Shanghai Greenland Constructions (Group) Co., Ltd. The registered capital is 3,400,000,000.00 Yuan, including 2,040,000,000.00 Yuan and 60% shares from Yinchuan Urban Construction Investment Holding Co., Ltd and 1,360,000,000.00 Yuan and 40% Shares from Shanghai Greenland Constructions (Group) Co., Ltd. According to the general meeting of shareholders' decision, Yinchuan Urban Construction Investment Holding Co., Ltd got 85.60% shares and Shanghai Greenland Constructions (Group) Co., Ltd got 14.40% shares.

(II) Information of significant non wholly-owned subsidiaries

1. Non-controlling interest

No.	Name of subsidiary	Proportion of non-controlling interest (%)	Current P/L attributable to non-controlling interest	Current dividend payments to non-controlling interest	Closing balance of non-controlling interest
1	Yinchuan China Railway Water Group Co., Ltd.	49.00%	-21,705,798.41		599,091,502.06
2	Yinchuan Binhe Yellow River Bridge Management Co., Ltd.	40.00%	-7,976,821.14		1,142,023,178.86
3	Ningxia Jindunsiwei Security Escort Service Co., Ltd	42.00%	4,515,834.38	2,940,000.00	16,669,182.36

2. Key financial information

Item	For the year 2016		
	Yinchuan China Railway Water Group Co., Ltd.	Yinchuan Binhe Yellow River Bridge Management Co., Ltd.	Ningxia Jindunsiwei Security Escort Service Co., Ltd
Current assets	493,110,610.25	641,785,194.65	27,425,930.84
Non-current assets	936,175,373.19	3,567,656,373.82	22,265,938.28

Item	For the year 2016		
	Yinchuan China Railway Water Group Co., Ltd.	Yinchuan Binhe Yellow River Bridge Management Co., Ltd.	Ningxia Jindunsiwei Security Escort Service Co., Ltd
Total assets	1,429,285,983.44	4,209,441,568.47	49,691,869.12
Current liabilities：	232,492,012.76	195,316,192.56	12,497,339.69
Non-current liabilities	61,063,059.44	2,434,067,428.75	
Total liabilities	293,555,072.20	2,629,383,621.31	12,497,339.69
Operating revenue	457,789,973.15	9,985,494.70	86,923,409.37
Net profit	2,599,817.67	-19,942,052.84	10,751,986.62
Total comprehensive income	2,599,817.67	-19,942,052.84	10,751,986.62
Net cash flows generated from investing activities	137,922,340.06	901,586,361.39	17,245,863.25

Continued:

Item	For the year 2015		
	Yinchuan China Railway Water Group Co., Ltd.	Yinchuan Binhe Yellow River Bridge Management Co., Ltd.	Ningxia Jindunsiwei Security Escort Service Co., Ltd
Current assets	369,505,518.75	1,960,508,091.12	20,327,496.84
Non-current assets	1,030,005,685.59	2,837,482,390.65	19,898,534.39
Total assets	1,399,511,204.34	4,797,990,481.77	40,226,031.23
Current liabilities：	205,691,795.02	394,665,816.73	6,783,488.42
Non-current liabilities	60,730,581.04	2,803,324,665.04	
Total liabilities	266,422,376.06	3,197,990,481.77	6,783,488.42
Operating revenue	388,480,900.60		82,761,241.67
Net profit	118,357,141.95		9,571,308.37
Total comprehensive income	118,357,141.95		9,571,308.37
Net cash flows from investing activities	126,926,403.62	-1,066,492,449.42	12,340,298.56

(III) Alteration of consolidated financial statement scope

The subsidiaries newly involved in consolidated scope in 2016 are as follows:

Full name of the subsidiary	The reasons for including consolidated scope
Yinchuan Public Transportation Yongning Co., Ltd	Setting up
Yinchuan Public Transportation Binhe Co., Ltd	Setting up
Yinchuan Bus Leasing Co., Ltd	Setting up
Yinchuan China Railway Water Group Second Water Supply Co., Ltd	Setting up

Full name of the subsidiary	The reasons for including consolidated scope
Yinchuan Binhe Hengyi Fiber New Material Co., Ltd	Business combinations not under common control
Yinchuan Tongrong Zhengxin Capital Management Co., Ltd	Setting up
Yinchuan Comprehensive Bonded Zone Investment and Development co., Ltd	Business combinations not under common control
Yinchuan Comprehensive Bonded Zone International trade Co. Ltd	Business combinations not under common control
Yinchuan Comprehensive Bonded Zone Huanyu Space Industry Investment and Development Co. Ltd	Business combinations not under common control
Yinchuan Comprehensive Bonded Zone Changlong Property Management co., Ltd	Business combinations not under common control
Yinchuan Comprehensive Bonded Zone Yuanyu Hotel Co., Ltd	Business combinations not under common control
Yinchuan Comprehensive Bonded Zone Xingyi Construction Development Co., Ltd	Business combinations not under common control

(IV) Alteration of consolidated financial statement scope

The subsidiaries newly disposal in consolidated scope in 2016 are as follows:

Full name of the subsidiary	The reasons for including consolidated scope
Yinchuan Housing Security Investment Co., Ltd	Will not Managed
Yinchuan Xiangtong Public Transportation Advertisement Co., Ltd	Share right transferred

IX . Notes to significant items of the consolidated financial statements (All amounts in Renminbi (RMB) unless otherwise stated)

Note 1. **Currency Funds**

Item	31 December 2016	31 December 2015
Cash	385,004.43	32,377.82
Bank deposit	2,988,372,101.44	5,200,048,957.18
Other monetary funds	49,549,858.63	32,611,311.91
Total	3,038,306,964.50	5,232,692,646.91

The restricted currency funds are as follows:

Item	31 December 2016	31 December 2015
Performance security deposit	49,549,858.63	32,611,311.91
Fixed deposit or call deposit used for guarantee		469,800,000.00
Total	49,549,858.63	502,411,311.91

Note: As at 31 December 2016, the restricted currency funds of the Company is RMB 49,549,858.63, which the amount of security deposit of bank acceptance bill is RMB 46,500,000.00 and the amount of housing security deposit is RMB 3,049,858.63.

Note 2. Notes receivable

Item	31 December 2016	31 December 2015
Bank Acceptance Bill	350,000.00	265,000.00
Total	350,000.00	265,000.00

Note 3. Accounts receivable

Item	31 December 2016			
	Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually			-	-
Accounts receivable for which bad debt provision has been assessed by portfolios	87,111,688.31	100.00	3,776,936.94	4.34
Accounts receivable that are individually insignificant but for which bad debt provision has been assessed individually				
Total	87,111,688.31	100.00	3,776,936.94	——

Continued:

Item	31 December 2015			
	Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually			-	-
Accounts receivable for which bad debt provision has been assessed by portfolios	287,435,467.95	100.00	3,492,932.64	1.22
Accounts receivable that are individually insignificant but for which bad debt provision has been assessed individually				
Total	287,435,467.95	100.00	3,492,932.64	——

1. Accounts receivable which bad debt provision has been assessed by portfolios:

(1) Accounts receivable which bad debt provision has been assessed by portfolios using the aging analysis approach:

Aging	31 December 2016			31 December 2015		
	Carrying amount		Bad debt provision	Carrying amount		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	19,629,988.82	74.60	914,267.48	9,908,683.80	48.61	683,953.59
1-2 years	2,189,191.48	8.32	218,919.16	5,228,604.20	25.65	216,443.27

2-3 years	1,084,277.74	4.12	139,473.68	1,747,972.57	8.58	46,355.08
3-4years	90,189.92	0.34	28,793.54	304,182.84	1.49	371,087.74
4-5years	299,782.08	1.14	208,002.16	1,430,188.70	7.02	508,962.06
Over 5 years	3,021,107.78	11.48	2,220,421.58	1,764,039.81	8.65	627,201.52
Total	26,314,537.82	100.00	3,729,877.60	20,383,671.92	100.00	2,454,003.26

(2) Accounts receivable which bad debt provision has been assessed by portfolios using the Percentage of balance method:

Name of portfolio	31 December 2016			31 December 2015		
	Carrying amount	Proportion of provision (%)	Bad debt provision	Carrying amount	Proportion of provision (%)	Bad debt provision
Percentage of balance method portfolio	15,686,445.62	0.3	47,059.34	8,426,454.09	0.3	25,279.36

(3) Accounts receivable portfolios for which bad debt provision has been assessed using the other method:

Name of portfolio	31 December 2016			31 December 2015		
	Carrying amount	Proportion of provision (%)	Bad debt provision	Carrying amount	Proportion of provision (%)	Bad debt provision
Non-risk portfolio	45,110,704.87			258,625,341.94		

2. As at 31 December 2016, the top 5 accounts receivable by customer are as below:

The name of the entity	Relationship with the Company	Amount	Aging	Percentage of total receivables (%)
Kameilan International Co.,Ltd.	Non related-party	23,338,519.72	Within 1 year	26.79
Yinchuan Municipal Construction Planning & Design Institute Project Contracting and Consulting Co.,Ltd.	Non related-party	3,612,209.18	Within 1 year	4.15
PRIJO Jewelry Co.,Ltd.	Non related-party	3,092,056.32	Within 1 year	3.55
Ningxia LianZongXunMei Culture Transmission Co.,Ltd.	Non related-party	2,938,131.00	Within 1 year	3.37
Ningxia RongDa Real Estate Development Co.,Ltd Yinchuan Branch	Non related-party	1,500,000.00	Over 1 year	1.72

Note 4. Prepayments

Aging	31 December 2016	31 December 2015

	Carrying amount		Bad debt provision	Carrying amount		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	3,531,000,745.34	61.57		6,964,700,253.51	73.49	
1-2 years	1,470,243,902.47	25.64		2,507,912,465.06	26.47	
2-3 years	732,207,620.94	12.77		3,204,665.03	0.03	
Over 3 years	1,234,241.72	0.02		989,257.16	0.01	
Total	5,734,686,510.47	100.00		9,476,806,640.76	100.00	

As at 31 December 2016, the significant advances aged more than a year are as below:

Creditor	Debtor	Closing balance	Including: amount aged more than a year	Reason for being outstanding
Yinchuan TongLian Capital Investment & Operation Co.,Ltd.	Yinchuan HeLanShan Cultural Tourism Investment and Development Co.,Ltd	150,000,000.00	150,000,000.00	Prepaid Investment fund
Yinchuan Municipal Construction Investment Holding Co.,Ltd.	Shanghai Greenland Construction (Group) Co., Ltd.	1,050,000,000.00	1,050,000,000.00	Advanced Payment for Equity
Yinchuan Green EXPO Garden Management Co.,Ltd.	Yikawa Shimo Investment Company Limited	925,019,742.96	894,674,016.86	Prepaid Project Funds
Yinchuan Municipal Construction Investment Holding Co.,Ltd.	Xingqing District Kangju Office	100,000,000.00	100,000,000.00	House and Garage Purchase Funds
Yinchuan City Public Transportation Co.,Ltd	Yinchuan Power Supply Bureau	1,765,200.00	1,305,200.00	Prepaid Electricity Expenses
Total		2,226,784,942.96	2,195,979,216.86	

Note 5. Interest receivable

Item	31 December 2016	31 December 2015
Interests of deposits		195,990.95

Note 6. Dividends receivable

Item	31 December 2015	Increase	Decrease	31 December 2016	Reason for outstanding	Impairment
Aging within 1 year		3,927,000.00		3,927,000.00		
Yinchuan ZhuQiZhuDai Funding Partnership Corporation(Limited Partnership)		3,927,000.00		3,927,000.00	Investee not pay dividend yet	
Total		3,927,000.00		3,927,000.00		

Note 7. Other receivables

Item	31 December 2016			
	Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables that are individually significant and for which bad debt provision has been assessed individually				
Other receivables for which bad debt provision has been assessed by portfolios	4,404,200,761.32	100.00	2,122,650.43	0.05
Other receivables that are individually insignificant but for which bad debt provision has been assessed individually	165,473.75		165,473.75	100.00
Total	4,404,366,235.07	100.00	2,288,124.18	——

Continued：

Item	31 December 2015			
	Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables that are individually significant and for which bad debt provision has been assessed individually				
Other receivables for which bad debt provision has been assessed by portfolios	9,500,481,450.38	100.00	2,954,876.11	0.03
Other receivables that are individually insignificant but for which bad debt provision has been assessed individually	171,148.75		171,148.75	100.00
Total	9,500,652,599.13	100.00	3,126,024.86	——

1. Other receivables for which bad debt provision has been assessed by portfolios：

(1) Other receivables which bad debt provision has been assessed by portfolios using the aging analysis method:

Aging	31 December 2016			31 December 2015		
	Carrying amount		Bad debt provision	Carrying amount		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	920,938.06	19.40	46,046.91	1,453,626.40	22.04	72,681.32
1-2 years	529,923.69	11.16	52,992.37	1,310,705.15	19.87	131,070.52
2-3 years	778,191.66	16.39	116,728.75	214,174.16	3.25	32,126.12
3-4years	37,529.00	0.79	7,505.80	234,089.30	3.55	46,817.86
4-5years	284,089.30	5.98	142,044.65	115,617.56	1.75	57,808.78
Over 5 years	2,196,664.95	46.28	1,757,331.95	3,267,964.39	49.54	2,614,371.51
Total	4,747,336.66	100.00	2,122,650.43	6,596,176.96	100.00	2,954,876.11

(2) Other receivables portfolios for which bad debt provision has been assessed using other method:

Name of portfolio	31 December 2016			31 December 2015		
	Carrying amount	Proportion of provision (%)	Bad debt provision	Carrying amount	Proportion of provision (%)	Bad debt provision
Non-risk portfolio	4,399,453,424.66			9,493,885,273.42		

2. Other receivables that are individually insignificant but for which bad debt provision has been assessed individually

Debtor	31 December 2016	Bad debt provision	Aging	Proportion of provision (%)	Reason for provision
Guo Sheng	45,000.00	45,000.00	Over 5 years	100.00	Uncollectible
Li Xin	500.00	500.00	Over 5 years	100.00	Uncollectible
Han Baoguo	1,500.00	1,500.00	Over 5 years	100.00	Uncollectible
Xiao Zhandong	25,000.00	25,000.00	Over 5 years	100.00	Uncollectible
Yang Fu	1,500.00	1,500.00	Over 5 years	100.00	Uncollectible
Han Shaojun	7,285.50	7,285.50	Over 5 years	100.00	Uncollectible
Du Zhende	3,834.98	3,834.98	Over 5 years	100.00	Uncollectible
Wang Jianzhong	73,343.17	73,343.17	Over 5 years	100.00	Uncollectible
Wu Xiaobin	5,010.10	5,010.10	Over 5 years	100.00	Uncollectible
Wen He	2,500.00	2,500.00	Over 5 years	100.00	Uncollectible
合计	165,473.75	165,473.75	—	—	—

3. As at 31 December 2016, the top 5 other receivables are as below:

The name of the entity	Relationship with the Group	Amount	Aging	Percentage of total receivables (%)
Yinchuan Tianshan Real Estate Development Co.,Ltd	Non related-party	768,852,540.67	Within 1 year,	17.46
Yinchuan Yinxin Capital Management Co.,Ltd	Non related-party	520,000,000.00	Within 1 year	11.81
Yinchuan Xingqing District State-Owned Assets Investment Holding Co.,Ltd	Non related-party	314,850,000.00	Within 1 year	7.15
Ningxia Zhongyin Cashmere Co.,Ltd	Non related-party	300,000,000.00	2-3 years	6.81
Yinchuan Xinrong Construction Development Co.,Ltd	Non related-party	286,000,000.00	Within 1 year	6.49

Note 8. Inventories

Item	31 December 2015			31 December 2014		
	Carrying amount	Provision	Net book value	Carrying amount	Provision	Net book value
Raw materials	38,012,296.80		38,012,296.80	10,767,636.55		10,767,636.55
Finished goods	43,152,878.33	1,259,951.81	41,892,926.52	40,296,793.37	1,369,159.83	38,927,633.54
circulating materials	10,629,396.97		10,629,396.97	8,731,486.40		8,731,486.40
Construction in progress	7,952,448.17		7,952,448.17	19,083,528.78		19,083,528.78
Development cost	713,657,668.62		713,657,668.62	676,953,014.68		676,953,014.68
Total	813,404,688.89	1,259,951.81	812,144,737.08	755,832,459.78	1,369,159.83	754,463,299.95

Note 9. Other current assets

Item	31 December 2016	31 December 2015
Entrust loans due within one year	800,000,000.00	300,000,000.00
Financial products	92,550,000.00	47,000,000.00
Prepaid tax	8,657,406.29	6,926,957.73
Insurance Fee	2,140,725.97	2,705,443.55
Deferred House Rent Fee	2,193,602.60	199,087.26
Cost of bus IC	1,471,102.66	1,551,185.30
Others	324,212.13	205,439.72
Total	907,337,049.65	358,588,113.56

Note 10. Available-for-sale financial assets

1. Categories of available-for-sale financial assets

Item	31 December 2016	31 December 2015
Available-for-sale bonds		
Available-for-sale equity instruments	8,385,029,416.00	2,353,780,400.00
Others		
Total	8,385,029,416.00	2,353,780,400.00

2. Available-for-sale financial assets measured at cost

Investee	Carrying amount				Equity interest held (%)	Cash dividends
	31 December 2015	Increases	Decreases	31 December 2016		
Yinchuan Housing Guarantee Investment Co.,Ltd		6,304,999,016.00		6,304,999,016.00	99.06	

Investee	Carrying amount				Equity interest held (%)	Cash dividends
	31 December 2015	Increases	Decreases	31 December 2016		
Jiangsu BGX Logistics Development(Group) Co.,Ltd	320,000,000.00		320,000,000.00			
Shandong Ruyi Technology (Group) Co.,Ltd	2,000,000,000.00		2,000,000,000.00			
Yinchuan Zhuqi Investment Management Co.,Ltd		20,250,000.00	20,000,000.00	250,000.00	25.00	
Jianxin Property Insurance Co.,Ltd		49,000,000.00		49,000,000.00	4.90	
Western(Yinchuan) Guarantee Co.,Ltd		1,200,000,000.00	1,000,000,000.00	200,000,000.00	4.98	
Yinchuan Finance Holding Co.,Ltd		800,000,000.00		800,000,000.00	27.59	
Yinchuan Merging Industry Capital Investment Operation Co.,Ltd		320,000,000.00		320,000,000.00	34.78	
Ningxia Yellow River Country Commercial Bank Co.,Ltd	30,776,400.00			30,776,400.00	3.28	5,700,240.00
China Metallurgical Construction Corporation Ningxia Branch		2,000,000.00		2,000,000.00	10.00	
Yinchuan Weixin Industry Funding Partnership Corporation		675,000,000.00		675,000,000.00	24.99	
Yinchuan Jieneng Technology Co.,Ltd	3,004,000.00			3,004,000.00	14.67	
Total	2,353,780,400.00	9,371,249,016.00	3,340,000,000.00	8,385,029,416.00		5,700,240.00

Note:

1. According to the document (Yin Guo Zi Fa (2016) No.602), the company will not join the management of the Yinchuan housing Security Investment Co., Ltd. The investment to Yinchuan housing Security Investment Co., Ltd will recognized as available-for sale financial assets.

2. At the end of current year, the closing balance of investment to Yinchuan Zhuqi Investment Management Co., Ltd was 250,000.00 Yuan and had 25% share right. However, the company did not sent senior managers to join the management of Yinchuan Zhuqi Investment Management Co., Ltd and had no significant effect on it, so this investment will recognized as available-for sale financial assets.

3. At the end of current year, the closing balance of investment to Jianxin Property Insurance Co., Ltd was 49,000,000.00 Yuan and had 4.90% share right. However, the company did not sent senior managers to join the management of Jianxin Property Insurance Co., Ltd and had no significant effect on it, so this investment will recognized as available-for sale financial assets.

4. At the end of current year, the closing balance of investment to Western (Yinchuan) Guarantee Co., Ltd was 200,000,000.00 Yuan and had 4.98% share right. However, the company did not sent senior managers to join the management of Western (Yinchuan) Guarantee Co., Ltd and had no significant effect on it, so this investment will recognized as available-for sale financial assets.

5. At the end of current year, the closing balance of investment to Yinchuan Finance Holding Co., Ltd was 800,000,000.00 Yuan and had 27.59% share right. However, the company did not sent senior managers to join the management of Yinchuan Finance Holding Co., Ltd and had no significant effect on it, so this investment will recognized as available-for sale financial assets.

6. At the end of current year, the closing balance of investment to Yinchuan Merging Industry Capital Investment Operation Co., Ltd was 320,000,000.00 Yuan and had 34.78% share right. However, the company did not sent senior managers to join the management of Yinchuan Merging Industry Capital Investment Operation Co., Ltd and had no significant effect on it, so this investment will recognized as available-for sale financial assets.

7. At the end of current year, the closing balance of investment to China Metallurgical Constructions Co., Ltd was 2,000,000.00 Yuan and had 10% share right. However, the company did not sent senior managers to join the management of China Metallurgical Constructions Co., Ltd and had no significant effect on it, so this investment will recognized as available-for sale financial assets.

8. At the end of current year, the closing balance of investment to Yinchuan Weixin Industry Fund Partnership Co., Ltd (Limited Partnership) was 675,000,000.00 Yuan and had 24.99% share right. This company is limited partnership and do not execute partnership business and cannot represent partnership corporation, so this investment will recognized as available-for sale financial assets.

9. At the end of current year, the closing balance of investment to Yinchuan Jieneng Technology Co., Ltd was 3,004,000.00 Yuan and had 14.67% share right. However, the company did not sent senior managers to join the management of Yinchuan Jieneng Technology Co., Ltd and had no significant effect on it, so this investment will recognized as available-for sale financial assets.

Note 11.Long-term equity investments

1. Categories of Long-term equity investments

Item	31 December 2015	Increases	Decreases	31 December 2016
Investments in subsidiaries				
Investment in joint venture		120,748,464.64		120,748,464.64
Investment in associates	464,896,638.20	660,675,093.02	4,180,705.09	1,121,391,026.13
Subtotal	464,896,638.20	781,423,557.66	4,180,705.09	1,242,139,490.77
Less：provision for long-term equity investments				
Total	464,896,638.20	781,423,557.66	4,180,705.09	1,242,139,490.77

2. Details of long-term equity investments are as follows:

Investee	Accounting method	Initial investment Cost	Opening Balance	Increase or decrease	Closing Balance
Total	—	1,263,179,877.05	464,896,638.20	777,242,852.57	1,242,139,490.77
Investment in joint venture:	—	120,000,000.00		120,748,464.64	120,748,464.64
Yinchuan Zhuqi Zhudai Fund Partnership Co., Ltd (Limited Partnership)	Equity method	120,000,000.00		120,748,464.64	120,748,464.64
Investment in associates:		1,143,179,877.05	464,896,638.20	656,494,387.93	1,121,391,026.13
Yinchuan Binhe Ruyi Clothing Co., Ltd	Equity method	412,500,000.00		412,500,000.00	412,500,000.00
Yinchuan International Communication Centre Development Co., Ltd	Equity method	536,867,116.05	464,056,612.49	51,390,920.28	515,447,532.77
Yinchuan Xiangtong Public Transportation Advertisement Co., Ltd	Equity method	712,761.00		1,275,093.02	1,275,093.02
Ningxia Weibao Finance Service Co., Ltd	Equity method	1,200,000.00	840,025.71	-571,625.37	268,400.34
Yinchuan Huaiyuan Road Underground Comprehensive Tunnel Construction Management Co., Ltd	Cost method	54,740,000.00		54,740,000.00	54,740,000.00
Yinchuan Baohu Road Underground Comprehensive Tunnel Construction Management Co., Ltd	Cost method	44,990,000.00		44,990,000.00	44,990,000.00
Yinchuan Shenyang Road Underground Comprehensive Tunnel Construction Management Co., Ltd	Cost method	92,170,000.00		92,170,000.00	92,170,000.00

Continued：

Investee	Proportion of ownership Interest (%)	Proportion of voting power (%)	Ending balance of provision for long-term equity investments	Provision for long-term equity investments	Cash dividends in current period
Total	—	—			
Investment in joint venture:					
Yinchuan Zhuqi Zhudai Fund Partnership Co., Ltd (Limited Partnership)	60.00				
Investment in associates:					
Yinchuan Binhe Ruyi Clothing Co., Ltd	42.50	42.50			
Yinchuan International Communication Centre Development Co., Ltd	40.00	40.00			
Yinchuan Xiangtong Public Transportation Advertisement Co., Ltd	38.00	38.00			

Investee	Proportion of ownership Interest (%)	Proportion of voting power (%)	Ending balance of provision for long-term equity investments	Provision for long-term equity investments	Cash dividends in current period
Ningxia Weibao Finance Service Co., Ltd	40.00	40.00			
Yinchuan Huaiyuan Road Underground Comprehensive Tunnel Construction Management Co., Ltd	30.00	30.00			
Yinchuan Baohu Road Underground Comprehensive Tunnel Construction Management Co., Ltd	30.00	30.00			
Yinchuan Shenyang Road Underground Comprehensive Tunnel Construction Management Co., Ltd	30.00	30.00			

Note 12. Investment property

Item	31 December 2015	Increases	Decreases	31 December 2016
I. Total original value	40,390,253.55	50,670,046.57		91,060,300.12
1. Buildings	40,390,253.55	50,670,046.57		91,060,300.12
2.Land use right				-
II. Total accumulated depreciation and amortization	12,416,189.95	10,735,649.12		23,151,839.07
1. Buildings	12,416,189.95	10,735,649.12		23,151,839.07
2.Land use right				-
III. Total net book value of investment property	27,974,063.60	39,934,397.45		67,908,461.05
1. Buildings	27,974,063.60	39,934,397.45		67,908,461.05
2.Land use right				-
IV. Total accumulated amount of provision for impairment losses	60,864.81			60,864.81
1. Buildings	60,864.81			60,864.81
2.Land use right				-
V. Total carrying amount	27,913,198.79			67,847,596.24
1. Buildings	27,913,198.79			67,847,596.24
2.Land use right				

Note 13. Fixed assets

Note 2.**Fixed assets**

Item	31 December 2015	Increases	Decreases	31 December 2016
I. Total original value	3,414,024,796.14	203,620,564.53	66,292,797.19	3,551,352,563.48
Buildings	1,149,795,782.54	150,393,710.48	8,889,354.20	1,291,300,138.82

Item	31 December 2015	Increases	Decreases	31 December 2016
Machineries and equipment	221,438,849.11	51,826,736.60	1,293,686.50	271,971,899.21
Motor vehicles	946,174,728.15	14,929,878.68	54,187,932.13	906,916,674.70
Electronic equipment	26,733,884.09	6,736,578.09	696,501.01	32,773,961.17
Office equipment	26,515,359.24	6,438,600.12	278,236.10	32,675,723.26
Pipe network	1,042,283,831.06	-26,752,988.44	947,087.25	1,014,583,755.37
Other equipment	1,082,361.95	48,049.00		1,130,410.95
II. Total accumulated depreciation	974,148,949.46	244,091,510.07	54,745,800.10	1,163,494,659.43
Buildings	205,061,023.30	51,934,654.98	1,473,879.46	255,521,798.82
Machineries and equipment	94,946,065.55	24,057,537.96	874,180.57	118,129,422.94
Motor vehicles	304,227,792.57	101,299,368.31	51,274,730.21	354,252,430.67
Electronic equipment	8,063,490.22	5,954,631.40	624,296.66	13,393,824.96
Office equipment	15,005,521.21	3,609,164.53	229,860.49	18,384,825.25
Pipe network	346,079,580.87	57,129,885.10	268,852.71	402,940,613.26
Other equipment	765,475.74	106,267.79		871,743.53
III. Total net book value of fixed assets	2,439,875,846.68	——	——	2,387,857,904.05
Buildings	944,734,759.24	——	——	1,035,778,340.00
Machineries and equipment	126,492,783.56	——	——	153,842,476.27
Motor vehicles	641,946,935.58	——	——	552,664,244.03
Electronic equipment	18,670,393.87	——	——	19,380,136.21
Office equipment	11,509,838.03	——	——	14,290,898.01
Pipe network	696,204,250.19	——	——	611,643,142.11
Other equipment	316,886.21	——	——	258,667.42
IV. Total provision for impairment losses	1,413,882.37			1,413,882.37
Buildings	328,703.97			328,703.97
Machineries and equipment	1,085,178.40			1,085,178.40
Motor vehicles				
Electronic equipment				
Office equipment				
Pipe network				
Other equipment				
V. Total book value of fixed assets	2,438,461,964.31	——	——	2,386,444,021.68
Buildings	944,406,055.27	——	——	1,035,449,636.03
Machineries and equipment	125,407,605.16	——	——	152,757,297.87

Item	31 December 2015	Increases	Decreases	31 December 2016
Motor vehicles	641,946,935.58	——	——	552,664,244.03
Electronic equipment	18,670,393.87	——	——	19,380,136.21
Office equipment	11,509,838.03	——	——	14,290,898.01
Pipe network	696,204,250.19	——	——	611,643,142.11
Other equipment	316,886.21	——	——	258,667.42

Note1: Current period depreciation is RMB 244,091,510.07 Yuan.

Note2: According to the document (Yin Guo Zi Fa(2015) No.340), the State-Owned Assets Supervision and Administration Commission Of Yinchuan Government required the Yinchuan China Railway Water Group Co., Ltd to estimate the value of pipes. The estimated value of pipes was 216,666,922.70 Yuan in 2015; in 2016, the Yinchuan China Railway Water Group Co., Ltd entrust intermediary to estimate the value of pipes and publish the evaluation report (2016) No.101 that the estimated value of pipes was 187,836,100.00 Yuan. The Yinchuan China Railway Water Group Co., Ltd adjusted the net book value in account.

Note 14.Construction in progress

1. Details of construction in progress

Item	31 December 2014	Increases	Transferred to fixed assets	Other decrease
Total	8,681,647,593.82	1,608,369,142.22	80,014,939.90	610,395,800.00
Including:1. Infrastructure projects in east in Yinchuan	1,410,513,781.41	103,269,323.67		157,037,600.00
2．Beijing road	335,604,679.33			
3．Yinchuan BRT rapid transportation project	304,555,867.45	22,297,746.30		31,348,000.00
4．Railway station	274,839,159.09	3,295,396.27		
5．Wuli Livable Project	225,275,270.82	11,961,820.00		
6．Extension of the second and third waterworks	233,748,043.44	689750.76		
7．Unity square	232,407,898.06			
8．The first phase of healthy living-Gwanghwamun resettlement area	217,328,478.44	3,874,723.36		
9．Construction project of the 8th waterworks	197,780,891.52	18,081,526.92		
10．The first phase of healthy living-Youai resettlement area	189,986,121.50	7,929,544.50		
11．Others	5,059,607,402.76	1,436,969,310.44	80,014,939.90	422,010,200.00

Continued:

Item	Amount of accumulated capitalized interest	Including: capitalized interest for the period	Interest capitalization rate for the period (%)	Capital source	31 December 2015
Total	1,494,390,393.63	214,910,402.34	——	—	9,599,605,996.14
Including:1. Infrastructure projects in east in Yinchuan	227,682,124.66	103,269,323.67	6.88	Bonds	1,356,745,505.08
2. Beijing road	29,630,830.83			Other funds	335,604,679.33
3. Yinchuan BRT rapid transportation project	49,590,247.94	22,297,746.30	6.88	Bonds	295,505,613.75
4. Railway station	79,776,755.36	3,295,396.27	4.90	Loan	278,134,555.36
5. Wuli Livable Project	47,890,429.82			Loan	237,237,090.82
6. Extension of the second and third waterworks	85,337,549.22	689,750.76	4.90	Loan and others	234,437,794.20
7. Unity square	16,852,421.26			Loan	232,407,898.06
8. The first phase of healthy living-Gwanghwamun resettlement area	54,180,201.80	3,874,723.36	4.90	Loan	221,203,201.80
9. Construction project of the 8th waterworks	6,666,449.73	4,432,436.40	7.24	Loan	215,862,418.44
10. The first phase of healthy living-Youai resettlement area	69,578,451.00	7,929,544.50	6.28	Loan	197,915,666.00
11. Others	827,204,932.01	69,121,481.08	——		5,994,551,573.30

2. **Explanation of other decrease of construction in progress are as follows:**

According to the approved document (agreements for constructions or buy-backs), other decreases in construction in progress is 610,395,800.00 Yuan, mainly because 610,395,800.00 Yuan buy-back cost of the project carried over.

Note 15. Intangible assets

Item	31 December 2015	Increases	Decreases	31 December 2016
I. Total original value	6,119,391,429.54	925,385,839.65	2,294,707,526.80	4,750,069,742.39
Including：Software	14,115,238.40	1,078,812.14		15,194,050.54
Land use right	3,119,043,183.06	113,414,990.10	2,294,707,526.80	937,750,646.36
Franchise	2,986,233,008.08	810,892,037.41		3,797,125,045.49
II. Total accumulated amortization	358,835,279.58	111,454,073.49	340,835,535.66	129,453,817.41
Including：Software	6,917,772.61	2,274,697.38		9,192,469.99
Land use right	343,263,660.81	16,593,691.35	340,835,535.66	19,021,816.50
Franchise	8,653,846.16	92,585,684.76		101,239,530.92
III. Total provision for impairment				
Including：Software				

Item	31 December 2015	Increases	Decreases	31 December 2016
Land use right				
Franchise				
IV. Total book value	5,760,556,149.96	——	——	4,620,615,924.98
Including：Software	7,197,465.79	——	——	6,001,580.55
Land use right	2,775,779,522.25	——	——	918,728,829.86
Franchise	2,977,579,161.92	——	——	3,695,885,514.57

Note1: The Company decreased the value of intangible assets-land use right about 2,294,707,526.80 Yuan and decreased the value of accumulated amortization about 340,835,535.66 Yuan. According to the document approved by Yinchuan Land and Resources Bureau, the bureau took back Lanshan (Land certificate: Yin Guo Yong [2009] No.26006/26007) and Haibao (Land certificate: Yin Guo Yong [2008] No.05655), including: the value of Lanshan was 1,016,307,526.80 Yuan and accumulated amortization was 140,552,835.54; the value of Haibao was 1,278,400,000.00 Yuan and accumulated amortization was 200,282,700.12 Yuan.

Note2: The Yinchuan Binhe Yellow River Bridge management Co., Ltd was signed a contract with Yinchuan Transportation Bureau, which the project started from 2013. As at 31 December 2016, the intangible assets was 3,647,125,045.49 Yuan. Yinchuan the Western Xia Regime Cemetery Culture tourism investment Co., Ltd was signed agreement with State-Owned Assets Supervision and Administration Commission of Yinchuan Government that the Western Xia Regime Cemetery Culture tourism investment Co., Ltd got the operation right of Western Xia Regime Cemetery area from 1 April 2015 to 31 March 2028 and the price is 150,000,000.00 Yuan.

Note 16.Long-term deferred expenses

Item	31 December 2015	Increases	Current period Amortization	Other decreases	31 December 2016	Reasons for other decreases
Cost of IC water meter	2,248,079.43	1,292,760.00	995,988.64		2,544,850.79	
Cost of project of waterworks	1,965,334.50		421,143.12		1,544,191.38	
Financing expenses	3,067,514.00		1,757,499.00		1,310,015.00	
Improvement of Pipe Network	255,139.15	419,442.00	88,581.35		585,999.80	
Cost of Fifth waterworks heating expansion		592,441.60	59,244.12		533,197.48	
Decoration cost of office building		576,660.79	144,165.20		432,495.59	
Design cost of water supply project for city centre of Yinchuan	540,000.00		120,000.00		420,000.00	
The second, third and sixth waterworks improvement project	506,194.73		173,552.52		332,642.21	
Equipment and	537,680.82		248,160.48		289,520.34	

Item	31 December 2015	Increases	Current period Amortization	Other decreases	31 December 2016	Reasons for other decreases
software cost						
Decoration cost of office building	389,302.00		128,676.00		260,626.00	
Sixth waterworks heating supply expansion cost		274,706.40	27,470.64		247,235.76	
South parking heating expansion cost		163,857.00	30,040.45		133,816.55	
Checking cost of security project	197,333.24		74,000.04		123,333.20	
Heating expansion cost of office building	123,220.00		12,322.00		110,898.00	
Meter well improvement	144,950.15		37,813.08		107,137.07	
Others	4,777,137.10	342,759.20	4,073,237.08		1,046,659.22	
Total	14,751,885.12	3,662,626.99	8,391,893.72		10,022,618.39	

Note 17. Deferred tax assets and deferred tax liabilities

Item	31 December 2015		31 December 2014	
	Deferred tax assets or liabilities	Temporary differences	Deferred tax assets or liabilities	Temporary differences
1.Deferred tax assets：	1,270,229.54	8,799,760.11	1,514,231.26	9,462,864.51
Provision for impairment losses of assets	1,270,229.54	8,799,760.11	1,514,231.26	9,462,864.51
2.Deferred tax liabilities：	5,504,974.97	36,480,094.17	8,214,161.05	51,230,696.92
Others	5,504,974.97	36,480,094.17	8,214,161.05	51,230,696.92

Note 18. Other non-current assets

Item	31 December 2015	31 December 2014
Fixed assets in laboratory	9,986,990.00	9,986,990.00

Note 19. Assets with ownership restricted

Item	31 December 2015	Increases	Decreases	31 December 2016
一、Assets used as collateral				
Operating Vehicles	125,930,837.99	108,634,593.13		234,565,431.12
Jinfeng District Renmin Square West Road and north Beijing Mid Road		234,018,717.84		234,018,717.84
Construction in progress: Yinchuan Comprehensive Bonded Zone 3rd area		191,132,755.10		191,132,755.10
Xingqing District South Jiefang dong Street and East Zhongshan south Street		152,866,821.80		152,866,821.80

Item	31 December 2015	Increases	Decreases	31 December 2016
Xingqing District North Jiefang dong Street No. 143 and East Zhongshan south Street		129,445,793.71		129,445,793.71
Jinfeng District north Beijing Mid Road		87,505,804.65		87,505,804.65
Jinfeng District South Shanghai Road and West Taikang Street		81,224,445.73		81,224,445.73
Construction in progress: Binhe Book City		58,613,959.17		58,613,959.17
Bill pledged and deposit	469,800,000.00	46,500,000.00	469,800,000.00	46,500,000.00
Jinfeng District West 3rd Road and North 7th Road		18,343,724.09		18,343,724.09
Xingqing District South Jiefang dong Street and West Zhongshan south Street		17,472,510.31		17,472,510.31
Xingqing District Fenghuang North Street		16,679,986.10		16,679,986.10
Xingqing District West Minzu North Street and North Beijing Dong Road		13,665,310.17		13,665,310.17
Xingqing District North Beijing Dong Road		11,886,953.04		11,886,953.04
Xingqing District South Culture Dong Street and East Minzu Street		10,687,167.33		10,687,167.33
Jinfeng District South Jinfeng 13th Road		10,452,430.20		10,452,430.20
Xingqing District East Minzu South Street		10,072,151.04		10,072,151.04
Land use right (Ling Guo Yong (2014) No. 60072)		8,583,812.33	176,379.70	8,407,432.63
Xingqing District south Beijing Mid Road		7,868,037.60		7,868,037.60
Xingqing District South Hubin Street		5,077,550.00		5,077,550.00
Market houses at Huaiyuan Road, certificate No. 2016077787		4,435,499.17		4,435,499.17
Xixia District South Huaiyuan West Road		3,158,362.27		3,158,362.27
Guarantee deposit	32,611,311.91	438,546.72	30,000,000.00	3,049,858.63
Xixia District North New Road 12-2-11 (land)	119,137,906.00		119,137,906.00	
Xixia District North New Road 12-2-12 (land)	119,027,832.00		119,027,832.00	
Xixia District North New Road 12-2-13 (land)	124,228,787.00		124,228,787.00	
Land use right of Lanshan	875,754,691.26		875,754,691.26	
Land use right of Haibao	1,078,117,299.88		1,078,117,299.88	
Xingqing District Minzu North Street Mudan Garden No.2 building(house)	10,125,648.98		10,125,648.98	
Minzu South Street No.184 building(house)	5,317,556.03		5,317,556.03	
Xingqing District No. 2 Jiefang West Street(house)	6,769,649.92		6,769,649.92	
Minyun village business houses	7,346,831.77		7,346,831.77	

Note 20. Provision of asset impairment

Item	31 December 2015	Current year increases			
		Current year accrued	Increase from consolidation	Others	Total
I、 Bad debts provision	6,618,957.50	-553,845.38			-553,845.38
II、Provision for decline in value of inventories	1,369,159.83				
III、Provision for impairment losses of investment properties	60,864.81				
IV、Provision for impairment losses of fixed assets	1,413,882.37				
Total	9,462,864.51	-553,845.38			-553,845.38

Continued:

Item	Current year decreases					31 December 2016
	Reversal	Written off	Decrease from consolidation	Others	Total	
V、Bad debts provision		51.00			51.00	6,065,061.12
VI、Provision for decline in value of inventories		109,208.02			109,208.02	1,259,951.81
VII、Provision for impairment losses of investment properties	——					60,864.81
VIII、Provision for impairment losses of fixed assets	——					1,413,882.37
Total		109,259.02			109,259.02	8,799,760.11

Note 21. Short-term borrowings

1. Categories of short-term borrowings

Item	31 December 2016	31 December 2015
Pledged loans		462,000,000.00
Mortgaged loans		5,000,000.00
Guaranteed loans	10,000,000.00	220,000,000.00
Credit loans	1,000,000,000.00	1,960,960,873.00
Total	1,010,000,000.00	2,647,960,873.00

2. Guaranteed loans

Creditor	Closing balance	Guarantor
China Everbright Bank Yinchuan Branch	10,000,000.00	Yinchuan Urban Construction Investment Holding Co.,Ltd

Creditor	Closing balance	Guarantor
Total	10,000,000.00	

As at 31 December 2015, there is no overdue loans. Ending balance of short-term debts as of 31 December 2016 was 1,010,000,000.00 Yuan, including:

(1) Ending balance of guaranteed loans was 10,000,000.00 Yuan came from China Everbright Bank Yinchuan Branch and Yinchuan Urban Construction Investment Holding Co., Ltd. guaranteed the loan.

(2) Ending balance of credit loan is 1,000,000,000.00 Yuan from Shanghai International Trust Co., Ltd.

Note 22. Notes payable

Item	31 December 2016	31 December 2015
Bank Acceptance Bill	50,000,000.00	30,000,000.00
Total	50,000,000.00	30,000,000.00

Note 23. Accounts payable

Aging	31 December 2016	31 December 2015
Within 1 year (Including 1 year)	200,362,334.15	198,237,690.10
1-2 years (Including 2 years)	46,795,746.41	24,996,820.79
2-3 years (Including 3 years)	20,956,720.68	7,749,326.08
Over 3 years	23,421,691.36	31,522,722.82
Total	291,536,492.60	262,506,559.79

As at 31 December 2016, significant overdue accounts payable are as follows:

Creditor	Closing balance	Amount Over 1 year	Nature of Fund
Ningxia Foton AUV Sales Co., Ltd.	41,936,400.00	21,936,400.00	Motor Purchase Fund
POSCO E&C (China) Co., Ltd.	8,515,320.26	8,515,320.26	Construction Fund
Yinchuan Jingcheng Gas Co., Ltd	3,043,485.88	3,043,485.88	Gas Purchase Fund
Chongqing Hengtong coach Co., Ltd	2,500,000.00	2,500,000.00	Vehicle Purchase Fund
Xi’an Space Hangyuan Technology Co., Ltd	1,835,605.00	1,835,605.00	Cost Of Materials
Total	57,830,811.14	37,830,811.14	

Note 24. Receipts in advance

Item	31 December 2016	31 December 2015
Within 1 year (Including 1 year)	156,293,833.22	177,335,901.91

Item	31 December 2016	31 December 2015
Over 1 year	55,203,323.31	22,657,280.34
Total	211,497,156.53	199,993,182.25

As at 31 December 2016, details of significant advances from customers aged more than one year are as follows:

Creditor	Closing balance	Reason for Overdue Fund
Xin Chun	13,360,000.00	Incomplete Procedure
Gao Xiulan & Qin Bing	3,907,898.96	Incomplete Procedure
Construction and City Planning Bureau of Yinchuan	1,693,179.30	Overdue Fund
Ningxia Great Wall Real Estate Development Co., Ltd	1,624,557.03	Overdue Fund
Li Wenfu	1,550,000.00	Incomplete Procedure
Total	22,135,635.29	—

Note 25. Employee benefits payable

1. Employee benefits payable

Item	31 December 2015	Increase	Decrease	31 December 2016
I. Short-term employee benefits payable	23,294,933.62	496,383,201.52	491,852,651.25	27,825,483.89
II. Post-employment benefits--defined contribution plans	234,796.00	64,289,221.10	63,420,414.16	1,103,602.94
III. Termination benefits		1,269,347.00	1,269,347.00	
Total	23,529,729.62	561,941,769.62	556,542,412.41	28,929,086.83

2. Short-term Employee benefits payable

Item	31 December 2015	Increase	Decrease	31 December 2016
I. Wages and salaries, bonuses, allowances and subsidies	22,653,035.56	392,837,013.41	388,432,064.30	27,057,984.67
II. Staff welfare		40,736,525.65	40,736,525.65	
III. Social security contributions	953.47	30,955,119.36	30,937,504.27	18,568.56
Including: Medical insurance		25,405,284.15	25,405,284.15	
Work injury insurance	803.49	2,984,429.28	2,966,664.21	18,568.56
Maternity insurance	149.98	2,565,405.93	2,565,555.91	
IV. Housing funds		23,364,765.60	23,343,914.60	20,851.00
V. Labor union & employee education costs	640,944.59	8,489,777.50	8,402,642.43	728,079.66
VI. Short-term paid absences				
VII.Short-term profit sharing plan				

Item	31 December 2015	Increase	Decrease	31 December 2016
VIII.Other short-term benefits				
Total	23,294,933.62	496,383,201.52	491,852,651.25	27,825,483.89

3. Defined contribution plans

Item	31 December 2015	Increase	Decrease	31 December 2016
I. Basic pension		59,025,069.45	59,024,976.85	92.60
II. Unemployment insurance		3,248,846.85	3,247,693.75	1,153.10
III. Supplementary pension	234,796.00	2,015,304.80	1,147,743.56	1,102,357.24
Total	234,796.00	64,289,221.10	63,420,414.16	1,103,602.94

Note 26. Taxes payable

Item	31 December 2015	Increase	Decrease	31 December 2016
Value added tax	2,277,448.78	64,228,454.83	34,939,397.54	31,566,506.07
Business tax	119,197,194.37	6,086,516.56	7,415,701.18	117,868,009.75
Enterprise income tax	214,053,694.86	71,282,893.47	22,302,939.40	263,033,648.93
Urban maintenance and construction tax	8,473,164.47	5,270,210.58	2,901,977.86	10,841,397.19
Property tax	1,798,874.27	6,029,157.06	5,599,157.52	2,228,873.81
Land use tax	1,047,816.94	5,008,750.91	4,883,653.96	1,172,913.89
Individual income tax	57,290.95	3,440,912.59	3,257,958.17	240,245.37
Education surplus	3,681,040.06	2,577,468.65	1,529,738.41	4,728,770.30
Others	5,644,994.29	5,439,620.15	4,148,033.57	6,936,580.87
Total	356,231,518.99	169,363,984.80	86,978,557.61	438,616,946.18

Note 27. Interest payable

Item	31 December 2016	31 December 2015
Interests on long-term borrowings	781,019.55	
Interests on debentures	301,636,184.21	282,588,067.36
Interests on short-term borrowings		5,560,123.67
Interests on contacts	4,888,655.47	11,914,444.45
Total	307,305,859.23	300,062,635.48

Note 28.Other payables

Aging	31 December 2016	31 December 2015
Within 1 year (Including 1 year)	2,059,054,904.93	1,808,531,870.44

Aging	31 December 2016	31 December 2015
1-2 year (Including 2 years)	917,239,996.78	19,790,243.54
2-3year (Including 3 years)	8,096,833.83	88,377,202.64
More than 3 years	82,058,822.69	71,295,910.79
Total	3,066,450,558.23	1,987,995,227.41

1. As at 31 December 2016, details of significant other payables aged more than one year are as follows:

Creditor	Closing balance	Aging
Yinchuan Binhe New District Investment and Development (Group) Co.,Ltd	560,000,000.00	1-2 years
Yinchuan Merging Industry Capital Investment and Operation Co.,Ltd	210,000,000.00	1-2 years
Zhongxing (Yinchuan) Intellectual Industry Co.,Ltd	118,300,000.00	1-2 years
The Second, third and fifth Waterworks Expansion	23,851,018.21	Over 3 years
The eighth waterworks Expansion	17,779,284.40	2-3 years and over 3 years
Total	929,930,302.61	

2. As at 31 December 2015, details of significant other payables are as follows:

Creditor	Closing balance	Aging	Nature of Fund
Yinchuan Yinxin Capital Management Co.,Ltd	1,130,000,000.00	Within 1 year	Borrowing
Shengyue (Shanghai) Internet Technology Co.,Ltd	600,000,000.00	Within 1 year	Guarantee Deposit
Yinchuan Binhe New District Investment and Development (Group) Co.,Ltd	560,000,000.00	1-2 years	Borrowing
Yinchuan State-Owned Assets Supervision and Administration Commission	300,000,000.00	Within 1 year	Borrowing
Yinchuan Merging Industry Capital Investment and Operation Co.,Ltd	210,000,000.00	1-2 years	Borrowing
Total	2,800,000,000.00		

Note 29. Current portion of non-current liabilities

Item	31 December 2016	31 December 2015
Current portion of long-term borrowings	484,136,896.60	545,531,250.24
Including: Pledged loans	125,700,000.00	189,500,000.00

Item	31 December 2016	31 December 2015
Mortgaged loans	101,436,896.60	192,431,250.24
Guaranteed loans	257,000,000.00	46,000,000.00
Credit loans		117,600,000.00
Current portion of bonds payable	1,864,822,054.48	375,000,000.00
Total	2,348,958,951.08	920,531,250.24

1. Pledged loans

No	Lender	Closing balance	Pledge
1	China Development Bank Ningxia Branch	6,000,000.00	Beneficial right of enterprise
2	China Development Bank Ningxia Branch	10,000,000.00	Beneficial right of enterprise
3	China Development Bank Ningxia Branch	1,700,000.00	Beneficial right of enterprise
4	Agricultural Development Bank of China Ningxia Branch	8,000,000.00	Project income special account
5	Agricultural Development Bank of China Ningxia Branch	8,000,000.00	Project income special account
6	Agricultural Development Bank of China Ningxia Branch	12,000,000.00	Project income special account
7	Agricultural Development Bank of China Ningxia Branch	10,000,000.00	Project income special account
8	Agricultural Development Bank of China Ningxia Branch	2,000,000.00	Project income special account
9	China CITIC Bank Co.,Ltd Yinchuan Branch	48,000,000.00	Fare collection right
10	Agricultural Development Bank of China	20,000,000.00	Fiscal subsidies collection right
	Total	125,700,000.00	—

Note:

The closing balance of pledged loans due in 1 year is 125,700,000.00 Yuan, including loan of 17,700,000.00 Yuan from China Development Bank Ningxia Branch and was pledged by water fare collection right, enterprise beneficial right and other legally account receivables; loan from Agricultural Development Bank of China Ningxia Branch is 40,000,000.00 Yuan and was pledged by the project income special account; loan from China CITIC Bank Co.,Ltd Yinchuan Branch is 48,000,000.00 Yuan and was pledged by buses fare collection right; loan from Agricultural Development Bank of China is 20,000,000.00 Yuan and was pledged by fiscal subsidies collection right, meanwhile the Yinchuan Tonglian Capital Investment Operation Co.,Ltd and Yinchuan Urban Construction Investment Holding Co.,Ltd shall undertake the irrepealable joint guarantee responsibility.

2. Mortgage loans

No	Lender	Closing balance	Mortgages
1	Yinchuan branch of China Merchants Bank	6,000,000.00	Land use right
2	Agricultural Development Bank of China Yinchuan branch	2,900,000.00	Land use right
3	Agricultural Development Bank of China Yinchuan branch	4,100,000.00	Land use right
4	Agricultural Development Bank of China Yinchuan branch	10,000,000.00	Land use right
5	Agricultural Development Bank of China Yinchuan branch	13,000,000.00	Land use right
6	China Development Bank Ningxia Branch	26,000,000.00	Land use right
7	China Huarong Financial Leasing Co., Ltd	9,361,684.13	Operating Vehicles
8	China Huarong Financial Leasing Co., Ltd	9,880,532.59	Operating Vehicles
9	Bank of Communications Financial Leasing Co.,Ltd	20,194,679.88	Operating Vehicles
	Total	101,436,896.60	

Note:

The closing balance of mortgage loans due in 1 year is 101,436,896.60 Yuan, including the loan of 6,000,000.00 Yuan from China Merchants Bank and was mortgaged by land use right; The loan from Agricultural Development Bank of China Yinchuan branch is 30,000,000.00 Yuan and mortgaged by land use right with approved documents (Yin Guo Yong(2016) No.05162, Yin Guo Yong(2016) No.05157, Yin Guo Yong(2016) No.05183, Yin Guo Yong(2016) no.05945); The loan from China Development Bank Ningxia Branch is 26,000,000.00 and mortgaged by land use right with approved documents (Yin Guo Yong(2016) No.05531, Yin Guo Yong(2016) No.05559, Yin Guo Yong(2016) No.05571, Yin Guo Yong(2016) No.05160, Yin Guo Yong(2016) No.05573, Yin Guo Yong(2016) No.05182, Yin Guo Yong(2016) No.05521, Yin Guo Yong(2016) No.05841, Yin Guo Yong(2016) No.05159, Yin Guo Yong(2016) No.05572, Yin Guo Yong(2016) No.05154, Yin Guo Yong(2016) No.05141); The loan from China Huarong Financial Leasing Co.,Ltd is 19,242,216.72 Yuan and mortgaged by operating vehicles; the loan from Bank of Communications Financial Leasing Co.,Ltd is 20,194,679.88 Yuan and mortgaged by operating vehicles.

3. Guaranteed loans

No	Lender	Closing balance	The Guarantors
1	China Zheshang Bank Co., Ltd. Lanzhou branch	200,000,000.00	Yinchuan Urban Investment and Real Estate Development Co., Ltd
2	Huaxia Bank Co., Ltd	10,000,000.00	Yinchuan Tonglian Capital Investment Operation Co.,Ltd
3	Ningxia Bank Mall branch	44,000,000.00	Yinchuan Tonglian Capital Investment Operation Co.,Ltd
4	Bank of Communications Co.,Ltd Ningxia District branch	1,000,000.00	Yinchuan Urban Constructions Investment Holding Co.,Ltd
5	Ningxia Bank Mall branch	2,000,000.00	Yinchuan Tonglian Capital Investment Operation Co.,Ltd
	Total	257,000,000.00	

4. Bond Payable

Item	Book Value	Date of Issue	Duration	Amount of Issue
Bond of Yinchuan Urban Constructions Investment Holding Co.,Ltd	1,500,000,000.00	2010/3/9	7 Years	1,500,000,000.00
Private Placement Bond	1,490,000,000.00	2014/8/20	3 Years	1,490,000,000.00

Continued:

Item	Opening Interest Payable	Current Increase	Current Decrease	Closing Interest payable	Closing Balance
Bond of Yinchuan Urban Constructions Investment Holding Co.,Ltd	37,792,910.96	28,735,839.04	47,100,000.00	19,428,750.00	374,822,054.48
Private Placement Bond	132,901,527.78	96,850,000.00	130,000,000.00	99,751,527.78	1,490,000,000.00
Total	170,694,438.74	125,585,839.04	177,100,000.00	119,180,277.78	1,864,822,054.48

Note:

The balance of bond payable due in 1 year is 1,864,822,054.48 Yuan. Bond of Yinchuan Urban Constructions Investment Holding Co., Ltd was issued in 3 March 2010 and book value is 1,500,000,000.00 Yuan, duration is 7 years and interest rate is 6.28%; Private Placement Bond was issued in 20 August 2014, the book value is 1,490,000,000.00 and the duration is 3 years with interest rate of 6.50%.

Note 30. Other Current Liabilities

Item	31 December 2016	31 December 2015
Payable short-term financing bond	500,000,000.00	
Total	500,000,000.00	

Note 31.Long-term borrowings

Item	31 December 2016	31 December 2015
Pledged loans	1,242,700,000.00	9,811,850,000.00
Mortgaged loans	489,271,876.39	711,356,212.79
Guaranteed loans	325,000,000.00	691,000,000.00
Credit loans	1,133,630,778.39	521,433,753.32
Total	3,190,602,654.78	11,735,639,966.11

1. Pledged loans

No	Lender	Closing balance	The pledge
1	Ningxia branch of China Development Bank	95,000,000.00	Enterprise beneficial right
2	Ningxia branch of China Development Bank	152,000,000.00	Enterprise beneficial right

No	Lender	Closing balance	The pledge
3	Ningxia branch of China Development Bank	15,300,000.00	Enterprise beneficial right
4	Ningxia branch of China Development Bank	260,000,000.00	Accounts receivable (fiscal subsidies income)
5	Ningxia branch of China Development Bank	75,400,000.00	Accounts receivable (fiscal subsidies income)
6	Ningxia branch of China Development Bank	50,000,000.00	Accounts receivable (fiscal subsidies income)
7	Ningxia branch of China Development Bank	20,000,000.00	Accounts receivable (fiscal subsidies income)
8	Ningxia branch of China Development Bank	35,000,000.00	Accounts receivable (fiscal subsidies income)
9	Ningxia branch of Agricultural Development Bank of China	16,000,000.00	Bank account of Project income
10	Ningxia branch of Agricultural Development Bank of China	16,000,000.00	Bank account of Project income
11	Ningxia branch of Agricultural Development Bank of China	24,000,000.00	Bank account of Project income
12	Ningxia branch of Agricultural Development Bank of China	20,000,000.00	Bank account of Project income
13	Ningxia branch of Agricultural Development Bank of China	4,000,000.00	Bank account of Project income
14	Ningxia branch of Agricultural Development Bank of China	460,000,000.00	Accounts receivable (fiscal subsidies income)
	Total	1,242,700,000.00	—

2. Mortgaged loans

No	Lender	Closing balance	Mortgages
1	China Huarong Financial Leasing Co., Ltd	2,571,876.39	Operation buses
2	Yinchuan branch of China Merchants Bank	42,000,000.00	Land use right
3	Ningxia branch of Agricultural Development Bank of China	4,100,000.00	Land use right
4	Ningxia branch of Agricultural Development Bank of China	13,000,000.00	Land use right
5	Ningxia branch of Agricultural Development Bank of China	2,900,000.00	Land use right
6	Ningxia branch of Agricultural Development Bank of China	10,000,000.00	Land use right
7	Ningxia branch of China Development Bank	254,000,000.00	Land use right；
8	Ningxia branch of Bank of China	27,000,000.00	Property; Land use right；Construction in progress

No	Lender	Closing balance	Mortgages
9	Ningxia branch of China Development Bank Co., Ltd	133,700,000.00	Land use right； Construction in progress
	Total	489,271,876.39	—

3. Guaranteed loans

No	Lender	Closing balance	Guarantor
1	Mall branch of Bank of Ningxia	197,000,000.00	Yinchuan Tonglian capital investment operations Ltd
2	Huaxia Bank	89,500,000.00	Yinchuan Tonglian capital investment operations Ltd
3	Xita branch of Bank of Communications	38,500,000.00	Yinchuan Urban Construction Investment holding Co., Ltd
	Total	325,000,000.00	—

As at 31 December 2016, ending balance for long-term borrowings was RMB 3,190,602,654.78.

(1) Closing balance for pledged loan was 1,242,700,000.00 Yuan, including the following items. 262,300,000.00 Yuan borrowed from Ningxia branch of China Development Bank and the collateral of the loan was charge right of water, enterprise beneficial right and account receivables (fiscal subsidies). 335,400,000.00 Yuan borrowed from Ningxia branch of China Development Bank and the collateral of the loan was account receivables (fiscal subsidies) and 280 buses. 105,000,000.00 Yuan was borrowed from China Development Bank, the collateral of the loan was account receivables (fiscal subsidies), and Yinchuan Tonglian Capital Investment Operation Co., Ltd provided 24,000,000.00 Yuan of joint guaranteed responsibility. 460,000,000.00 Yuan was borrowed from Agricultural Development Bank of China and the collateral of the loan was account receivables (fiscal subsidies). Meanwhile the Yinchuan Tonglian Capital Investment Operation Co., Ltd and Yinchuan Urban Constructions Investment Holding Co., Ltd were undertaken irrevocable joint guaranteed responsibility.

(2) Closing balance for mortgaged loan was 489,271,876.39 Yuan, including the following items. 2,571,876.39 Yuan was provided by China Huarong financial leasing Co., Ltd and the collateral of the loan was operating vehicles. 42,000,000.00 Yuan was provided by Yinchuan branch of China Merchants Bank and the collateral of the loan was land of north new Xiaogong road at Xixia District. 30,000,000.00 Yuan was borrowed from Ningxia branch of Agricultural Development Bank of China and the collateral of the loan was land use right with approved documents (Yin Guo Yong(2016) No.05162, Yin Guo Yong(2016) No.05157, Yin Guo Yong(2016) No.05183, Yin Guo Yong(2016) No.05945). 254,000,000.00 Yuan borrowed from Ningxia branch of China Development Bank and the collateral for the loan is land use right with approved documents (Yin Guo Yong(2016) No.05531, Yin Guo Yong(2016) No.05559, Yin Guo Yong(2016) No.05571, Yin Guo Yong(2016) No.05160, Yin Guo Yong(2016) No.05573, Yin Guo Yong(2016) No.05182, Yin Guo Yong(2016) No.05521, Yin Guo Yong(2016) No.05841, Yin Guo Yong(2016) No.05159, Yin Guo Yong(2016) No.05572, Yin Guo Yong(2016) No.05154, Yin Guo Yong(2016) No.05141). The loan from Ningxia district branch of Bank of China Co., Ltd was 27,000,000.00 Yuan and the collateral for the loan is houses at Huaiyuan Road market and the constructions in progress and land of Binhe Book City. The borrowing from Ningxia branch of China Development bank Co., Ltd was 133,700,000.00 Yuan and the collateral for the borrowing is the constructions in progress and land of factories at Yinchuan Comprehensive Bonded Zone.

(3) Closing balance for guaranteed loans was 325,000,000.00 Yuan. 197,000,000.00 Yuan came from Mall branch of Ningxia Bank and the Yinchuan Tonglian Capital Investment Operation undertook the joint guaranteed responsibility. 89,500,000.00 Yuan came from Huaxia Bank and the Yinchuan Tonglian Capital Investment Operation undertook the joint guaranteed responsibility. 38,500,000.00 Yuan came from Yinchuan Xita branch of Bank of Communications and the Yinchuan Urban Constructions Investment Holding Co., Ltd undertook the joint guaranteed responsibility.

(4) Closing balance for credit loan was 1,133,630,778.39 Yuan, including 422,121,105.00 Yuan provided by Shanghai International Trust Co., Ltd, 311,509,673.39 Yuan from Japan Bank for International Cooperation and 400,000,000.00 Yuan from Yinchuan branch of Huaxia Bank Co., Ltd.

Note 32. Bonds payable

Name of bonds	Par value	Date of Issuance	Term of the bond	Issue amount
2015 First mid-term note	2,000,000,000.00	2015/10/13	5 Years	2,000,000,000.00
2016 First mid-term note	400,000,000.00	2016/1/19	5 Years	400,000,000.00
First term 0.5 billion short term financing	500,000,000.00	2016/2/26	1Year	500,000,000.00
10 Yin Construction Investment bonds	1,500,000,000.00	2010/3/9	7 Years	1,500,000,000.00
14 Yin Construction Investment bonds	1,800,000,000.00	2014/5/12	7 Years	1,800,000,000.00
14 Private Placement Bonds	1,490,000,000.00	2014/8/20	3 Years	1,490,000,000.00
16 Private Placement Bonds	1,490,000,000.00	2016/6/1	3 Years	1,490,000,000.00
2015 income of Yinchuan Binhe Bridge	2,000,000,000.00	2015/11/16	20 Years	2,000,000,000.00
Total	11,180,000,000.00			11,180,000,000.00

Continued:

Name of bonds	Opening balance of interest payable	Accrued interest for the period	Interest paid during period	Closing balance of interest payable	Closing balance
2015 First mid-term note	17,538,888.89	81,999,999.96	82,000,000.00	17,538,888.85	1,987,675,480.68
2016 First mid-term note		13,943,111.15		13,943,111.15	397,159,130.27
First term 0.5 billion short term financing		12,291,666.70		12,291,666.70	
10 Yin Construction Investment bonds	37,792,910.96	28,735,839.04	47,100,000.00	19,428,750.00	
14 Yin Construction Investment bonds	80,152,000.00	123,840,000.00	123,840,000.00	80,152,000.00	1,786,743,753.04
14 Private Placement Bonds	132,901,527.78	96,850,000.00	130,000,000.00	99,751,527.78	
16 Private Placement Bonds		44,327,500.00		44,327,500.00	1,477,497,772.50

Name of bonds	Opening balance of interest payable	Accrued interest for the period	Interest paid during period	Closing balance of interest payable	Closing balance
2015 income of Yinchuan Binhe Bridge	14,202,739.73	115,200,000.00	115,200,000.00	14,202,739.73	1,974,067,428.75
Total	282,588,067.36	517,188,116.85	498,140,000.00	301,636,184.21	7,623,143,565.24

Note 33. Grants payables

Item	31 December 2014	Increase	Decrease	31 December 2015
Total	117,995,657.81	155,354,267.37		273,349,925.18
Including: Yinchuan Comprehensive Bonded Zone construction funds		151,001,360.37		151,001,360.37
Yinchuan He Lanshan waterworks(first term) construction funds	71,469,852.00	4,056,607.00		75,526,459.00
Subsidies of Water quality monitoring and emergency monitoring construction	10,000,000.00			10,000,000.00
Relocated reconstruction of water supply facilities at water source of 2nd waterworks	10,000,000.00			10,000,000.00
The first-stage water supply expansion project of Yinchuan 6th waterworks	10,000,000.00			10,000,000.00
Water quality monitoring and emergency monitoring	5,429,900.00			5,429,900.00
Others	11,095,905.81	296,300.00		11,392,205.81

Note 34. Deferred income

Item	31 December 2015	Increase	Decrease	31 December 2016	Reason for repay
Government grants	6,790,614.18	16,332,227.15	1,048,335.52	22,074,505.81	
Others	495,861.67		167,525.88	328,335.79	
Total	7,286,475.85	16,332,227.15	1,215,861.40	22,402,841.60	

Summary of government grants:

Item	31 December 2015	Current year additions	Amount recognized as non-operating income for 2014	Other decreases	31 December 2016	Related to income/ assets
Subsidies for Binhe Book City		10,600,000.00			10,600,000.00	Related to Assets

City garbage processing system platform construction funds	2,040,907.17	2,590,000.00	458,162.83		4,172,744.34	Related to Assets
Pile signs of water source project	864,444.32	1,500,000.00	544,910.00		1,819,534.32	Related to Assets
Water quality online monitoring project construction funds	1,740,000.00				1,740,000.00	Related to Assets
Modern Logistics Development Project		1,600,000.00			1,600,000.00	Related to Assets
Subsidies for water supply equipment energy-saving improvement	1,000,000.00				1,000,000.00	Related to Assets
Others	1,145,262.69	42,227.15	45,262.69		1,142,227.15	Related to Assets
Total	6,790,614.18	16,332,227.15	1,048,335.52		22,074,505.81	Related to Assets

Note 35. Other non-current liabilities

Item	31 December 2016	31 December 2015
China agriculture development key construction fund Co., Ltd.	426,100,000.00	106,100,000.00
China Development Fund Co., Ltd.	136,000,000.00	167,000,000.00
Total	562,100,000.00	273,100,000.00

Note1: In 2015, The Company, CDB Development Fund Co., Ltd, Yinchuan Municipal Construction Investment Holdings Ltd and State-owned Assets Supervision and Administration Commission of Yinchuan Municipal People's Government signed “CDB Development Fund investment contract”. According to that contract, CDB Development Fund invested construction projects such as underground parking lot program, which constructed by Yinchuan Municipal Construction Investment Holdings Ltd. Total investment for the projects are 107million. It agreed that return on investment income will be calculated on a fixed rate, which is 1.2% and the principal will be paid back at the end of term. In 2015, CDB Development Fund Co., Ltd invested about 107,000,000.00 Yuan to Yinchuan Municipal Construction Investment Holdings Ltd.

Note2: In 2016, the company signed “China Agriculture Development key construction fund Investment contract” with Agricultural Development Bank of China Key Constructions Funds Co., Ltd, Yinchuan the Western Xia Regime Cemetery Culture tourism investment Co., Ltd and State-owned Assets Supervision and Administration Commission of Yinchuan Municipal People's Government. The Agricultural Development Bank of China Key Constructions Funds Co., Ltd invested 60,000,000 Yuan to infrastructure improvement project of Xixia Ling tourism area. It agreed that return on investment income would calculate on a fixed rate, which is 1.2% and the principal will be paid back at the end of term. In 2016, the Agricultural Development Bank of China Key Constructions Funds Co., Ltd invested about 60,000,000.00 Yuan to Yinchuan the Western Xia Regime Cemetery Culture tourism investment Co., Ltd.

Note3: In 2015, the Agricultural Development Bank of China Key Constructions Funds Co., Ltd, Yinchuan Urban Constructions Investment Holding Co., Ltd, Yinchuan Municipal Constructions and Comprehensive Tunnel Investment Constructions Management Co., Ltd and State-owned Assets Supervision and Administration Commission of Yinchuan Municipal People's Government signed “China Agriculture Development key construction fund Investment contract”. Agricultural Development Bank of China Key Constructions Funds Co., Ltd invested 106,100,000.00 Yuan to

Yinchuan Municipal Constructions and Comprehensive Tunnel Investment Constructions Management Co., Ltd for the sewage treatment project and Yinchuan underground comprehensive tunnel constructions project. It agreed that return on investment income would calculate on a fixed rate. In 2016, the Agricultural Development Bank of China Key Constructions Funds Co., Ltd, Yinchuan Urban Constructions Investment Holding Co., Ltd, Yinchuan Municipal Constructions and Comprehensive Tunnel Investment Constructions Management Co., Ltd and State-owned Assets Supervision and Administration Commission of Yinchuan Municipal People's Government signed “China Agriculture Development key construction fund Investment contract”. Agricultural Development Bank of China Key Constructions Funds Co., Ltd invested 260,000,000.00 Yuan to Yinchuan Municipal Constructions and Comprehensive Tunnel Investment Constructions Management Co., Ltd for the sewage treatment project and Yinchuan underground comprehensive tunnel constructions project. It agreed that return on investment income would calculate on a fixed rate and the principal will pay back at the end of term. During 2015 to 2016, the Agricultural Development Bank of China Key Constructions Funds Co., Ltd has totally invested 366,100,000.00 Yuan to Yinchuan Municipal Constructions and Comprehensive Tunnel Investment Constructions Management Co., Ltd.

Note4: According to the document (Yin Guo Fa (2016) No.602) of State-owned Assets Supervision and Administration Commission of Yinchuan Municipal People's Government, the company confirmed that Yinchuan Housing Security Investment Co., Ltd was an available-for-sale financial asset and 60,000,000.00 Yuan non-current liability to CDB Development Fund would not confirmed.

Note5: According to the “CDB Development Fund Investment Contract” which was signed by CDB Development Fund Co., Ltd, Yinchuan Public Transportation Co., Ltd and the State-owned Assets Supervision and Administration Commission of Yinchuan Municipal People's Government, the CDB Development Fund Co., Ltd would invested 29,000,000.00 Yuan to Yinchuan Binhe new District Public Transportation Terminal Station project and Yinchuan Yuehai Bay CBD Public Transportation Terminal Station project which constructed by Yinchuan Public Transportation Co., Ltd. It agreed that return on investment income would calculate on a fixed rate, which is 1.2% and the principal will be paid back at the end of term.

Note 36. Paid-in capital

Investor	31 December 2015		Increase	Decrease	31 December 2016	
	Investment	Proportion (%)			Investment	Proportion (%)
The State-owned Assets Supervision and Administration Commission of Yinchuan City	10,055,600,000.00	100.00	2,650,000,000.00		12,705,600,000.00	100.00
Total	10,055,600,000.00	100.00	2,650,000,000.00		12,705,600,000.00	100.00

Note: The registered capital increased 50,000,000.00 Yuan as approved by State-owned Assets Supervision and Administration Commission of Yinchuan Municipal People's Government (Yin Guo Zi Fa [2016] No.49). According to the document (Yin Guo Zi Fa [2016] No.234), the registered capital increased 400,000,000.00 Yuan. According to the document (Yin Guo Zi Fa [2016] No.438), the registered capital increased 600,000,000.00 Yuan. According to the document (Yin Guo Zi Fa [2016] No.352), the registered capital increased 1,300,000,000.00 Yuan. According to the document (Yin Guo Zi Fa [2016] No.537), the registered capital increased 300,000,000.00 Yuan. The total paid-in capital is 12,705,600,000.00 Yuan. The company is dealing the process of corporation information change registration for the newly increased registered capital.

Note 37. Capital reserve

1. Details for Capital reserve

Item	31 December 2015	Increase	Decrease	31 December 2016
Capital premium				
Others capital reserve:	6,731,955,997.78	1,386,570,519.58	1,956,811,991.14	6,161,714,526.22
1.Changes in investee's equity other than profit or loss or other comprehensive income				
2.Un-exercised share-based payment				
3.The difference between fair value and book value of a subsidiary that is not included in consolidation scope at the date of change in entity status (from non-investment entity to investment entity)				
4.Others	6,731,955,997.78	1,386,570,519.58	1,956,811,991.14	6,161,714,526.22
Total	6,731,955,997.78	1,386,570,519.58	1,956,811,991.14	6,161,714,526.22

2. Notes to changes in capital reserve

(1) In current year, capital reserve increased 1,386,570,519.58 Yuan, including the following items: Yinchuan Urban Constructions Investment Holding Co., Ltd increased 55,000,000.00 Yuan according to the approved document of State-owned Assets Supervision and Administration Commission of Yinchuan Municipal People's Government; the public parking project increased capital reserve of 1,200,000.00 Yuan from government allocation; Riyuan project fund from government allocation increased 96,382.45 Yuan and road fund increased 425,631.00 Yuan came from government allocation. Yinchuan Green EXPO Operation Management Co., Ltd received Construction Fund of 30,000,000.00 from Yinchuan Forestry Bureau. Yinchuan Public Transportation Co., Ltd received government allocation of 35,169,199.65 Yuan. Ningxia Saishang Culture City Co., Ltd increased 67,993,700 Yuan according to the project completion. The company increased capital reserve of 770,534,360.96 Yuan according the approved document (Yin Guo Zi Fa [2016] No.55). The company increased capital reserve of 24,579,907.47 Yuan according the approved document (Yin Guo Zi Fa [2016] No.259). The company received 400,000,000.00 Yuan from State-owned Assets Supervision and Administration Commission of Yinchuan Municipal People's Government and increased capital reserve of 1,549,782.75 Yuan according the approved document (Yin Guo Zi Fa [2016] No.58). Yinchuan China Railway Water Co., Ltd confirmed that deferred tax liabilities wrote down the capital reserve of 21,555.30 according to the approved document (Yin Guo Zi Fa [2016] No.14).

(2) In current year, capital reserve decreased 3,411,134,335.33 Yuan, including the following items. Yinchuan Municipal Constructions Investment Holding Co., Ltd wrote down the capital reserve of 1,953,871,991.14 Yuan according to the document (Yin Guo Yong [2009] No.05655, Yin Guo Yong [2009] No.26006 / No.26007) which the net values of land are 1,137,847,164.46 Yuan and 816,024,826.68 Yuan. Ningxia Siweijindun Security Escort Service Co., Ltd paid back the account payables for the company and wrote down the capital reserve of 2,940,000.00 Yuan.

Note 38. Special reserves

Item	31 December 2015	Increase	Decrease	31 December 2016
Safety production cost	1,663,724.00	1,429,659.42	323,885.94	2,769,497.48

Note 39. Surplus reserve

Item	31 December 2015	Increase	Decrease	31 December 2016
Statutory surplus reserve	97,388.91	3,029,267.08		3,126,655.99

Note 40. Unappropriated profit

Item	31 December 2016	31 December 2015
Opening balance	298,071,162.85	2,958.82
Current year increases:	461,116,743.67	298,165,264.18
Including: net profit	461,116,743.67	298,165,264.18
Other adjustments		
Current year decreases:	3,559,801.26	97,060.15
Including: Appropriation to surplus reserve	3,029,267.08	97,060.15
Appropriation to general risk reserve		
Dividends paid	530,534.18	
Converted into share capital		
Other decreases		
Closing balance	755,628,105.26	298,071,162.85

Note 41. Operating income and operating costs

Item	Year 2016		Year 2015	
	Operating income	Operating costs	Operating income	Operating costs
1.Principal operating income	2,033,373,106.57	1,623,542,744.81	2,064,037,819.17	1,605,088,086.73
BT project buy-back income	1,011,650,485.00	610,395,800.00	1,042,000,000.00	610,395,800.00
Water sales income	308,858,714.54	248,524,840.72	275,467,534.08	186,262,219.08
Bus transportation income	203,486,512.74	475,090,086.57	211,877,769.27	515,383,526.46
Project construction income	122,068,565.51	91,304,270.97	96,349,849.11	76,167,760.91
Book sales income	106,080,589.46	75,205,790.66	104,266,290.47	69,191,787.94
Labour income	101,375,550.32	13,854,729.52	94,294,051.18	10,778,949.90
Gas sales income	60,713,699.69	47,134,506.23	77,301,217.18	56,412,107.24
House sales income	59,399,327.75	48,977,567.60	109,987,247.86	71,965,331.24
Lease income	25,255,311.42	6,060,612.64	20,442,623.03	3,400,079.09

Item	Year 2016		Year 2015	
	Operating income	Operating costs	Operating income	Operating costs
Tourism income	22,710,130.35	350,050.44	23,867,418.99	187,122.90
Income from parking fees	11,774,219.79	6,644,489.46	8,183,818.00	4,943,401.97
2. Other operating income	187,641,521.08	100,369,200.63	88,738,070.44	35,681,797.16
Fund use income	115,566,879.43	1,025,943.41	37,589,617.49	23,656,111.12
Financing service income	20,406,638.78			
Advertisement income	11,949,164.51	208,070.00	14,473,169.47	132,192.94
Toll income	9,909,873.39	81,047,223.23		
Inspection service income	5,554,316.37	4,865,909.53	3,827,939.81	2,746,695.96
Driving training income	4,791,293.53	3,443,563.98	5,711,729.00	3,989,106.06
Income from Survey and Design service	4,413,883.50	2,808,481.19	4,169,718.46	2,664,066.80
Management income	3,674,919.89		9,370,387.00	
Consulting income	2,963,083.77		6,540,809.08	
Property service income	2,173,501.82	1,176,830.94		
Biding agency income	1,182,522.97		1,350,620.75	
Motor repair income	1,174,139.36	4,863,174.21	1,655,388.81	764,938.88
Material sale income	1,143,562.52	911,211.26	828,520.67	370,411.63
Book and tea bar income	235,406.96	18,792.88		
Others	2,502,334.28		3,220,169.90	1,358,273.77
Total	2,221,014,627.65	1,723,911,945.44	2,152,775,889.61	1,640,769,883.89

Note 42. Tax and Surcharge

Item	Year 2016	Year 2015
Business Tax	6,864,053.22	49,453,459.52
City Construction Tax	5,210,152.30	4,700,100.46
Additional education fees	2,256,484.23	2,023,054.91
Local education fees	852,527.42	598,501.15
Culture constructions fees	379,983.44	460,246.80
Property tax	5,871,384.32	
Stamp tax	561,017.05	
Land use tax	4,705,815.68	
Water conservancy funds	472,164.67	
Others	548,992.88	206,392.30

Item	Year 2016	Year 2015
Total	27,722,575.21	57,441,755.14

Note 43.Selling expenses

Item	Year 2016	Year 2015
Employees payroll and welfare benefits	105,392,368.12	95,880,218.97
Depreciation expenses	18,193,367.96	13,435,274.41
Amortization expenses	12,779,782.40	11,191,248.21
Office allowances	8,326,336.82	2,371,833.12
Maintenance expense	7,445,425.77	8,436,468.40
Transportation charges	6,332,896.06	9,067,592.96
Advertisement expenses	4,152,116.41	4,833,416.85
Sales service expenses	3,604,365.65	2,555,094.84
Insurance expenses	2,606,752.50	4,432,970.22
Labor protection fees	1,118,561.50	1,369,397.37
other	7,174,823.09	4,603,203.99
Total	177,126,796.28	158,176,719.34

Note 44. Administrative expenses

Item	Year 2016	Year 2015
Employees payroll and welfare benefits	93,224,033.51	84,391,283.81
Depreciation expenses	21,384,193.88	21,601,221.05
Office allowances	15,017,383.41	10,402,080.01
Amortization of intangible assets	13,937,171.05	47,791,316.90
Taxations		14,008,067.35
Insurance expenses	6,642,517.03	4,109,116.39
Intermediation service expenses	3,265,387.44	4,169,357.46
Maintenance expense	2,900,277.27	2,080,888.59
Travel allowances	1,432,691.65	1,385,404.87
Conference expenses	1,330,829.55	253,225.00
Entertainment expenses	1,051,761.82	1,132,405.90
Consulting expenses	796,072.67	1,267,500.00
Vehicle expenses	779,874.04	616,844.13
Others	10,810,700.75	4,404,436.37

Item	Year 2016	Year 2015
Total	172,572,894.07	197,613,147.83

Note 45. Finance expenses

Item	Year 2016	Year 2015
Interest expenses	459,210,744.91	155,715,169.29
Less: interest income	24,433,977.95	11,366,370.15
Foreign exchange loss ("-" for profit)		
Others	3,496,787.52	3,722,836.32
Total	438,273,554.48	148,071,635.46

Note 46. Impairment losses of assets

Item	Year 2016	Year 2015
Allowance to Bad debts	-553,845.38	694,969.59

Note 47. Investment income

1. Details on investment income

Item	Year 2016	Year 2015
Investment income of long-term equity under equity method	1,468,522.93	-18,170,477.85
Investment income on disposal of long-term equity investment		
Investment income on available-for-sale financial assets	5,700,240.00	6,208,511.40
Investment income on disposal of available-for-sale financial assets	2,324,910.04	
Income from financial products purchase	12,152,143.29	145,418.25
Others	-2,884,846.72	
Total	18,760,969.54	-11,816,548.20

2. Notes to investment income

(1) The company was increased investment of 120,000,000.00 Yuan to Yinchuan Zhuqizhudai Funds Partnership Co., Ltd (Limited Partnership) and the recognized investment income was -3,609,079.72 Yuan using equity method.

(2) The company was increased investment of 519,056,612.49 Yuan to Yinchuan International Communication Centre Development Co., Ltd and the confirmed investment income was 973,763.38 Yuan using equity method.

(3) The company was increased investment of 712,761.00 Yuan to Yinchuan Xiangtong Public Transportation Media Co., Ltd and the confirmed investment income is 973,763.38 Yuan using equity method.

(4) The recognized investment income of Ningxia Weibao Finance Service Co., Ltd was -571,625.37 Yuan.

(5) Cash dividends received from Ningxia Yellow River Country Commercial Bank Co., Ltd was 5,700,240.00 Yuan.

(6) According to the equity transfer agreement between the company and the Ningxia Runheng Agricultural Products Market Co., Ltd, the company will transfer the 28.57% equity shares of Jiangsu Runheng Logistics Development Co., Ltd to 34.78% equity shares of Yinchuan Merging Industry Capital Investment Operation Co., Ltd. The recognized investment income was 2,097,778.00 Yuan.

(7) The Siweijindun Company received 227,132.04 Yuan for equity transfer consideration in 2014 and recognized the investment income in current period.

Note 48. Non-operating income

Item	Year 2016	Year 2015
Gains on disposal of non-current assets	1,440,388.36	960,619.02
Including: Gains on disposal of fixed assets	1,440,388.36	960,619.02
Government grants	789,367,939.36	533,460,514.11
Donations received	167,525.88	1,677,187.01
Income derived assets and inventory	329.82	183,800.00
Income derived from breach of contract	2,449.00	1,000.00
Others	2,319,863.46	19,400,940.80
Total	793,298,495.88	555,684,060.94

Details of government grants are as follows:

Item	Year 2016	Year 2015
Subsidies for infrastructure construction	406,524,770.50	225,529,391.09
Subsidies for city bus transportation	223,389,821.95	225,200,788.28
Yinchuan Binhe Yellow River Bridge subsidies income	150,000,000.00	
Government agricultural development fund dividends	3,144,223.32	
Special subsidies for the low-income families	2,420,000.00	2,420,000.00
Steel bottle checking fees subsidies	1,504,000.00	
Unemployment insurance support subsidies	681,717.85	
City water source protection and prevention and strengthening of pumping station	544,910.00	
Waste disposal system construction funds	458,162.83	458,162.83
Labour and employment bureau subsidies	449,211.00	
High pollution Vehicles disposal subsidies	89,859.22	
Technology innovation subsidies	80,000.00	

Item	Year 2016	Year 2015
Water quality monitor system construction subsidies	45,262.69	
Environment protection bureau subsidies	36,000.00	
Expenses subsidies		6,000,000.00
Award for Industrial Products transactions from related parties		14,000.00
Subsidies for depreciation of fixed assets		24,066,955.11
Government incentives (scale of enterprises)		200,000.00
Employee compensation		3,311,775.52
Interest subsidies for net asset written- off		38,108,854.41
Interest subsidies for depreciation of newly added assets		8,150,586.87
Total	789,367,939.36	533,460,514.11

Note 49.Non-operating expenses

Item	Year 2016	Year 2015
Losses on disposal of non-current assets	4,442,581.74	15,052,964.61
Including: Losses on disposal of fixed assets	4,442,581.74	15,052,964.61
Donations	179,150.00	259,000.00
Special losses	1,777.00	
Assets and inventory losses	263.84	
Fines	346,891.67	74,471.92
Penalties or compensation for breach of contract	231,525.84	1,422,595.65
Others	208,255.96	358,359.51
Total	5,410,446.05	17,167,391.69

Note 50. Income tax expenses

Item	Year 2016	Year 2015
Current tax expense calculated according to tax laws and relevant requirements	70,330,441.32	68,596,873.18
Adjustments to deferred income tax	244,001.72	-100,597.05
Other		
Total	70,574,443.04	68,496,276.13

Note 51. Notes to consolidated cash flow statements

1. Reconciliation of net profit to cash flows from operating activities:

Item	Year 2016	Year 2015

Item	Year 2016	Year 2015
I . Reconciliation of net profit to cash flows from operating activities		
Net profit	459,210,744.91	155,715,169.29
Add: Provision for impairment losses of assets	-18,760,969.54	11,816,548.20
Depreciation of fixed assets, productive biological assets, oil and gas assets	244,001.72	-100,597.05
Amortization of intangible assets	-2,709,186.08	8,083,973.87
Amortization of long-term deferred expenses	-28,335,150.06	-54,338,641.76
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for profits)	116,352,287.65	-1,092,147,743.81
Losses on scrapping fixed assets ("-" for profits)	-110,469,095.82	1,301,433,418.91
Losses from fair-value changes ("-" for profits)		
Financial expenses ("-" for incomes)	459,210,744.91	155,715,169.29
Investment losses ("-" for incomes)	-18,760,969.54	11,816,548.20
Decrease in deferred tax assets ("-" for increase)	244,001.72	-100,597.05
Increase in deferred tax liabilities ("-" for decrease)	-2,709,186.08	8,083,973.87
Decrease in inventories ("-" for increase)	-28,335,150.06	-54,338,641.76
Decrease in operating receivables ("-" for increase)	116,352,287.65	-1,092,147,743.81
Increase in operating payables ("-" for increase)	-110,469,095.82	1,301,433,418.91
Others		
Net cash flows from operating activities	1,194,492,754.61	1,022,856,391.73
II. Significant non-cash investing and financing activities		
Conversion of debt into capital		
Convertible bonds expired within one year		
Fixed assets under financing lease		
III . Net increase in cash and cash equivalents		
Closing balance of cash	2,988,757,105.87	4,730,281,335.00
Less: Opening balance of cash	4,730,281,335.00	1,537,255,377.97
Add: Closing balance of Cash equivalents		
Less: Opening balance of Cash equivalents		
Net increase(decrease) in cash and cash equivalents	-1,741,524,229.13	3,193,025,957.03

2. Details of acquisitions of subsidiaries and other operating units for the current period are as follows:

Item	Amount
Acquisition of subsidiaries and other operating units	

Item	Amount
1. Consideration of acquisition	772,084,143.71
2.Consideration discharged by means of cash and cash equivalents	
Less: Cash and cash equivalents held by subsidiaries and other operating units	292,585,958.99
3. Net cash outflow on acquisition of the subsidiaries other operating units	-292,585,958.99
4. Acquisition net assets of subsidiaries	786,767,719.12
Current assets	836,320,529.41
Non-current assets	1,415,766,374.49
Current liabilities	779,017,824.41
Non-current liabilities	686,301,360.37
Disposal of subsidiaries and other operating units	
1. Consideration of disposal	
2. Consideration disposal by means of cash and cash equivalents	275,000.00
Less: Cash and cash equivalents held by subsidiaries and other operating units	748,759,890.78
3. Net cash outflow on disposal of the subsidiaries other operating units	-748,484,890.78
4. Disposal net assets of subsidiaries	6,366,264,626.56
Current assets	15,328,662,755.10
Non-current assets	113,881.96
Current liabilities	657,512,010.50
Non-current liabilities	8,305,000,000.00

3. Cash and cash equivalent

Item	31 December 2016	31 December 2015
I. Cash	2,988,757,105.87	4,730,281,335.00
Including: Cash on hand	385,004.43	32,377.82
Bank deposit	2,988,372,101.44	4,730,248,957.18
Other monetary funds		
II. Cash equivalents		
Including: investment on bonds that matured within 3 months		
III. Closing balance of cash and cash equivalents	2,988,757,105.87	4,730,281,335.00
Including: Restricted cash and cash equivalents of parent or subsidiaries in the group		

4. Cash generated from other operating activities:

Item	Year 2016	Year 2015
Cash received from other entities	3,746,201,212.97	1,477,400,374.20

Item	Year 2016	Year 2015
Non-operating income	2,159,260.45	1,605,025.79
Interest income	24,433,977.95	11,366,370.15
Subsidies	702,755,224.42	382,682,105.37
Buy-back income of BT project	1,042,000,000.00	1,028,500,000.00
Certificate of fixed-term deposit received	469,800,000.00	
Binhe Book City subsidies fund	10,600,000.00	
Others	12,118.01	64,247.87
Total	5,997,961,793.80	2,901,618,123.38

5. Cash used in other operating activities

Item	Year 2016	Year 2015
Cash paid to other entities	4,842,960,030.94	1,345,747,699.48
Administrative expenses	41,172,229.39	29,427,371.03
Operating expenses	34,476,432.61	18,872,959.90
Non-operating expenses	931,093.13	936,540.12
Pledged certificate of fixed-term deposit		469,800,000.00
Bank charges	3,496,787.52	1,609,213.03
Deposit		32,611,311.91
others	1,939,357.08	1,290,290.50
Total	4,924,975,930.67	1,900,295,385.97

6. Cash generated from other investing activities

Item	Year 2016	Year 2015
Beginning cash balance of the newly acquired subsidiary in current period	292,585,958.99	1,714,014,318.71
The Finance Bureau Fund		650,000,000.00
Others	12,438.42	174,617.32
Total	292,598,397.41	2,364,188,936.03

7. Cash used in other investing activities

Item	Year 2016	Year 2015
Cash decreased for disposal of subsidiaries	993,269.61	
Cash paid for squatter settlement rebuilding		6,450,000,000.00
Cash paid for disposal of subsidiaries		3,117,501.34
Cash paid for financial products purchase	4,000,000.00	

Cash decreased for lose control of subsidiaries	747,766,621.17	
Total	752,759,890.78	6,453,117,501.34

8. Cash generated from other financing activities

Item	Year 2016	Year 2015
Subsidies from bureau of finance, forestry and transportation bureau	65,755,113.10	1,143,696,678.22
Loan interests of squatter settlement rebuilding projects		21,104,814.41
Government grants	2,590,000.00	1,740,000.00
State-owned Assets Supervision and Administration Commission transfer funds of telecom forum	55,000,000.00	
Public parking project fund	1,200,000.00	
Total	124,545,113.10	1,166,541,492.63

9. Cash used in other financing activities

Item	Year 2016	Year 2015
Bond underwriting and consulting fees	3,921,012.56	28,368,280.00
Total	3,921,012.56	28,368,280.00

X . Contingencies

(I) Contingent liabilities

1.Contingent liabilities arising from pending litigations or arbitrations

As at 31 December 2016, the Company has no lawsuit.

2.Contingent liabilities arising from guarantees

As at 31 December 2016, details of guarantees are as follows:

Guarantors	Vouchee	Guaranteed issues	Amount	Term
1.Internal companies:				
Yinchuan Tonglian capital investment operations Limited	Yinchuan Public Transportation Co., Ltd	Bank loans, bank acceptance bill	60,000,000.00	2015.8.18-2033.8.17
Yinchuan Tonglian capital investment operations Limited	Yinchuan Public Transportation Co., Ltd	Bank loans	50,000,000.00	2016.5.31-2019.5.31
Yinchuan Tonglian capital investment operations Limited	Yinchuan the Yellow River Bridge Management Co., Ltd.	Bank loans	480,000,000.00	2015.10.10-2025.9.22
Yinchuan Tonglian capital investment operations Limited	Yinchuan Municipal Construction Investment Holdings Ltd	Bank loans	200,000,000.00	2015.8.18-2033.8.17

Guarantors	Vouchee	Guaranteed issues	Amount	Term
Yinchuan Tonglian capital investment operations Limited	Yinchuan Municipal Construction Investment Holdings Ltd	Bank loans	100,000,000.00	2016.2.26-2019.2.25
Yinchuan China Railway Water Group Co., Ltd.	Yinchuan Municipal Construction Investment Holdings Ltd	Bank loans	33,500,000.00	2004.04.28-2018.10.25
Yinchuan Municipal Construction Investment Holdings Ltd	Yinchuan Public Transportation Co., Ltd	Finance lease	90,000,000.00	2012.11.28-2017.11.28
Yinchuan Municipal Construction Investment Holdings Ltd	Yinchuan the Yellow River Bridge Management Co., Ltd.	Bank loans	480,000,000.00	2015.8.18-2033.8.17
2.External companies:				
Yinchuan Municipal Construction Investment Holdings Ltd	Ningxia Silver Newspaper Printing Co. Ltd	Bank loans	50,000,000.00	2013.7.4---2025.7.3
Yinchuan Municipal Construction Investment Holdings Ltd	Yinchuan City Housing Security Center	Bank loans	145,600,000.00	2014.3.21--2019.3.20
Yinchuan Municipal Construction Investment Holdings Ltd	Yinchuan City Housing Security Center	Bank loans	87,100,000.00	2014.3.21--2019.3.20
Yinchuan Municipal Construction Investment Holdings Ltd	Yinchuan City Housing Security Center	Bank loans	72,200,000.00	2014.3.21--2019.3.20
Yinchuan Municipal Construction Investment Holdings Ltd	Yinchuan City Housing Security Center	Bank loans	106,000,000.00	2015.3.3-2020.3.2
Yinchuan Municipal Construction Investment Holdings Ltd	Yinchuan City Housing Security Center	Bank loans	148,300,000.00	2015.3.3-2020.3.2
Total			2,102,700,000.00	

(II) Contingent assets

As at 31 December 2016, the Company has no significant contingent issues.

XI . Events after the balance sheet date

The Company did not have any non-adjusted events, which would affect the financial statement from the balance sheet date to report date.

XII . Related party relationship and transactions

(I) Related party relationship

1. Parent company

The ultimate controlling party of the Company is State-owned Assets Supervision and Administration Commission of Yinchuan City

2. The information of the subsidiaries is set out in Note VIII.

3. The information of the joint venture and associates is set out in Note IX-10.

(II) Related party transactions

The transactions between related parties, which are included in consolidated financial statements scope, have been offset.

(III) Amounts due from/to related parties

Item	Related party	31 December 2016		31 December 2015	
		Book Value	Bad debt provision	Book value	Bad debt provision
Account receivable					
	Yinchuan Xiangtong Public Advertisement Co., Ltd	2,148,553.34			
Other receivables					
	State-owned Assets Supervision and Administration Commission of Yinchuan City	86,956,206.35		5,708,950,129.08	
Other payables					
	State-owned Assets Supervision and Administration Commission of Yinchuan City	300,000,000.00			
	Yinchuan Merging Industry Capital Investment Operation Co., Ltd	210,000,000.00		210,000,000.00	

XIII . Notes to other significant items

XIV . Notes to significant items of the financial statements of parent company (All amounts in Renminbi (RMB) unless otherwise stated)

Note 1: Accounts receivable

Item	31 December 2015	
	Carrying amount	Bad debt provision

	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually			-	-
Accounts receivable for which bad debt provision has been assessed by portfolios	5,000,000.00	100.00		
Accounts receivable that are individually insignificant but for which bad debt provision has been assessed individually				
Total	5,000,000.00	100.00		

1. Accounts receivable which bad debt provision has been assessed in portfolios

Name of portfolio	31 December 2016			31 December 2015		
	Carrying amount	Proportion of provision (%)	Bad debt provision	Carrying amount	Proportion of provision (%)	Bad debt provision
Non-risk portfolio				5,000,000.00		

Note 2:Other receivables

Item	31 December 2016			
	Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables that are individually significant and for which bad debt provision has been assessed individually				
Other receivables for which bad debt provision has been assessed by portfolios	3,228,141,169.17	100.00		
Other receivables that are individually insignificant but for which bad debt provision has been assessed individually				
Total	3,228,141,169.17	100.00		——

Continued:

Item	31 December 2015			
	Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables that are individually significant and for which bad debt provision has been assessed individually				
Other receivables for which bad debt provision has been assessed by portfolios	966,833,727.69	100.00		
Other receivables that are individually insignificant but for which bad debt provision has been assessed individually				
Total	966,833,727.69	100.00		

1. Other receivables which bad debt provision has been assessed in portfolios

Name of portfolio	31 December 2015			31 December 2014		
	Carrying amount	Proportion of provision (%)	Bad debt provision	Carrying amount	Proportion of provision (%)	Bad debt provision
Non-risk portfolio	3,228,141,169.17			966,833,727.69		

2. As at 31 December 2016, the top 5 other receivables by customer are as follows:

The name of the entity	Relationship with the Group	Amount	Aging	Percentage of total receivables (%)	Creditor
Yinchuan Tianshan Real Estate Development Co., Ltd.	Non related-party	768,852,540.67	Within 1 year	23.82	Yinchuan Tonglian capital investment operations Limited
Yinchuan Yinxin Capital Management Co., Ltd	Non related-party	520,000,000.00	Within 1 year	16.11	Yinchuan Tonglian capital investment operations Limited
Yinchuan Xingqing District State-owned Assets Investment Holding Co., Ltd.	Non related-party	314,850,000.00	Within 1 year	9.75	Yinchuan Tonglian capital investment operations Limited
Yinchuan Xinrong Construction Development Co., Ltd.	Non related-party	286,000,000.00	Within 1 year	8.86	Yinchuan Tonglian capital investment operations Limited
Greenland Group Yinchuan University Property Co., Ltd.	Non related-party	230,000,000.00	1-2 years	7.12	Yinchuan Tonglian capital investment operations Limited

Note 3: Long-term equity investments

1. Categories of Long-term equity investments

Item	31 December 2015	Increases	Decreases	31 December 2016
Investments in subsidiaries	18,996,677,096.85	801,720,008.39	4,304,999,016.00	15,493,398,089.24
Investment in joint venture		120,748,464.64		120,748,464.64
Investment in associates		412,500,000.00		412,500,000.00
Subtotal	18,996,677,096.85	1,334,968,473.03	4,304,999,016.00	16,026,646,553.88
Less：provision for long-term equity investments				
Total	18,996,677,096.85	1,334,968,473.03	4,304,999,016.00	16,026,646,553.88

2. Details of long-term equity investments

Investee	Accounting method	Initial investment Cost	Opening Balance	Increase or decrease	Closing Balance
Total	—	16,026,646,553.88	18,996,677,096.85	-2,970,030,542.97	16,026,646,553.88
Investment in subsidiaries:	—	15,493,398,089.24	18,996,677,096.85	-3,503,279,007.61	15,493,398,089.24
Yinchuan the Western Xia Regime Cemetery Culture tourism investment Co., Ltd	Cost method	150,000,000.00	150,000,000.00		150,000,000.00
Yinchuan Municipal Construction Investment Holdings Ltd	Cost method	13,644,495,906.53	13,644,495,906.53		13,644,495,906.53
Yinchuan Railway Water Group Co., Ltd.	Cost method	509,370,810.59	509,370,810.59		509,370,810.59
Yinchuan Xinhua Bookstore Co., Ltd.	Cost method	54,674,160.66	54,674,160.66		54,674,160.66
Ningxia Jindunsiwei Security Escort Service Co., Ltd	Cost method	19,351,835.98	19,351,835.98		19,351,835.98
Yinchuan Western Water Supply Co., Ltd.	Cost method	195,485,367.09	195,485,367.09		195,485,367.09
Yinchuan Housing Security Investment Co., Ltd.	Cost method		4,304,999,016.00	-4,304,999,016.00	
Yinchuan City smart card Co., Ltd	Cost method	27,300,000.00	27,300,000.00		27,300,000.00
Jin Futong (Ningxia) electronic payment Co., Ltd	Cost method	91,000,000.00	91,000,000.00		91,000,000.00
Yinchuan Comprehensive Bonded Zone Investment Development Co., Ltd	Cost method	770,534,360.96		770,534,360.96	770,534,360.96
Yinchuan Tongrong Zhengxin Capital Management Co., Ltd	Cost method	24,579,907.47		24,579,907.47	24,579,907.47
Yinchuan Municipal Construction and Comprehensive Tunnel Investment Construction Management Co., Ltd	Cost method	5,055,957.21		5,055,957.21	5,055,957.21
Yinchuan Binhe Hengyi Fiber and New Material Co., Ltd	Cost method	1,549,782.75		1,549,782.75	1,549,782.75
Investment in joint venture		120,748,464.64		120,748,464.64	120,748,464.64
Yinchuan Zhuqi Zhudai Funds	Equity method	120,748,464.64		120,748,464.64	120,748,464.64

Investee	Accounting method	Initial investment Cost	Opening Balance	Increase or decrease	Closing Balance
Partnership Co., Ltd (Limited Partnership)					
Investment in associates		412,500,000.00		412,500,000.00	412,500,000.00
Yinchuan Binhe Hengyi Fiber and New Material Co., Ltd	Equity method	412,500,000.00		412,500,000.00	412,500,000.00

Continued：

Investee	Proportion of ownership Interest (%)	Proportion of voting power (%)	Ending balance of provision for long-term equity investments	Provision for long-term equity investments	Cash dividends in current period
Total	—	—			10,431,551.40
Investment in subsidiaries:					5,756,086.76
Yinchuan the Western Xia Regime Cemetery Culture tourism investment Co., Ltd	71.43	100.00			196,086.76
Yinchuan Municipal Construction Investment Holdings Ltd	78.65	100.00			
Yinchuan Railway Water Group Co., Ltd.	51.00	51.00			
Yinchuan Xinhua Bookstore Co., Ltd.	100.00	100.00			
Ningxia Jindunsiwei Security Escort Service Co., Ltd	58.00	58.00			5,560,000.00
Yinchuan Western Water Supply Co., Ltd.	100.00	100.00			
Yinchuan Housing Security Investment Co., Ltd.	67.64	67.64			
Yinchuan City smart card Co., Ltd	91.00	91.00			
Jin Futong (Ningxia) electronic payment Co., Ltd	91.00	91.00			
Yinchuan Comprehensive Bonded Zone Investment Development Co., Ltd	98.13	98.13			
Yinchuan Tongrong Zhengxin Capital Management Co., Ltd	100.00	100.00			
Yinchuan Municipal Construction and Comprehensive Tunnel Investment Construction Management Co., Ltd	21.46	100.00			
Yinchuan Binhe Hengyi Fiber and New Material Co., Ltd	100.00	100.00			
Investment in joint venture					4,675,464.64
Yinchuan Zhuqi Zhudai Funds Partnership Co., Ltd (Limited	60.00	60.00			4,675,464.64

Investee	Proportion of ownership Interest (%)	Proportion of voting power (%)	Ending balance of provision for long-term equity investments	Provision for long-term equity investments	Cash dividends in current period
Partnership)					
Investment in associates					
Yinchuan Binhe Hengyi Fiber and New Material Co., Ltd	42.50	42.50			

Note 4: Operating income and operating costs

Item	Year 2016		Year 2015	
	Operating income	Operating costs	Operating income	Operating costs
1.Principal operating income	6,238,385.97		6,540,809.08	
Income from consulting services	6,238,385.97		6,540,809.08	
2. Other operating income	136,767,069.75	9,740,942.74	37,589,617.49	23,656,111.12
Interest revenue	136,767,069.75	9,740,942.74	37,589,617.49	23,656,111.12
Total	143,005,455.72	9,740,942.74	44,130,426.57	23,656,111.12

Note 5: Investment income

Item	Year 2016	Year 2015
Investment income of long-term equity using cost method	4,256,086.76	5,054,000.00
Investment income of long-term equity using equity method	4,675,464.64	
Investment income on available-for-sale financial assets		
Investment income on disposal of available-for-sale financial assets	2,097,778.00	
Others	9,563,970.69	145,418.25
Total	20,593,300.09	5,199,418.25

Note 6: Notes to cash flow statements

1. Reconciliation of net profit to cash flows from operating activities:

Item	Year 2016	Year 2015
IV．Reconciliation of net profit to cash flows from operating activities		
Net profit	30,292,670.76	970,601.51
Add: Provision for impairment losses of assets		
Depreciation of fixed assets, productive biological assets, oil and gas assets	1,005,274.05	17,583.50

Item	Year 2016	Year 2015
Amortization of intangible assets	10,589.69	1,233.34
Amortization of long-term deferred expenses		
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for profits)		
Losses on scrapping fixed assets ("-" for profits)		
Losses from fair-value changes ("-" for profits)		
Financial expenses ("-" for incomes)	115,977,032.18	19,407,225.42
Investment losses ("-" for incomes)	-20,593,300.09	-5,199,418.25
Decrease in deferred tax assets ("-" for increase)		
Increase in deferred tax liabilities ("-" for decrease)		
Decrease in inventories ("-" for increase)	-44,286.01	-27,067.50
Decrease in operating receivables ("-" for increase)	-2,886,207,441.48	-1,166,735,542.78
Increase in operating payables ("-" for increase)	1,900,968,062.65	2,874,757,913.65
Others		
Net cash flows from operating activities	-858,591,398.25	1,723,192,528.89
V. Significant non-cash investing and financing activities		
Conversion of debt into capital		
Convertible bonds expired within one year		
Fixed assets under financing lease		
VI . Net increase in cash and cash equivalents		
Closing balance of cash	881,159,483.38	559,213,013.23
Less: Opening balance of cash	559,213,013.23	59,256.03
Add: Closing balance of Cash equivalents		
Less: Opening balance of Cash equivalents		
Net increase(decrease) in cash and cash equivalents	321,946,470.15	559,153,757.20

2. Cash and cash equivalent

Item	31 December 2015	31 December 2014
IV. Cash	881,159,483.38	559,213,013.23
Including: Cash on hand		
Bank deposit	881,159,483.38	559,213,013.23
Other monetary funds		
V. Cash equivalents		
Including: investment on bonds that matured within 3 months		
VI. Closing balance of cash and cash equivalents	881,159,483.38	559,213,013.23

XV . Approval of the financial statements

These financial statements were approved by the board of directors of the Company on 25 February, 2017.

Yinchuan Tonglian Capital Investment Operation Co., Ltd.

25 February 2017

ISSUER

Yinchuan Tonglian Capital Investment Operation Co., Ltd.
（銀川通聯資本投資運營有限公司）
9th Floor, Business Building, No. 2 Liberation West Street
Xingqing District, Yinchuan City
Ningxia Hui Autonomous Region
People's Republic of China

TRUSTEE

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

PRINCIPAL PAYING AGENT

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

REGISTRAR AND TRANSFER AGENT

The Bank of New York Mellon SA/NV, Luxembourg Branch
Vertigo Building – Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg

LEGAL ADVISERS

To the Issuer as to English law

Latham & Watkins
18th Floor, One Exchange Square
8 Connaught Place
Central, Hong Kong

To the Issuer as to PRC law

JunHe LLP
26/F China Resources Building
8 Jianguomenbei Avenue
Beijing 100005
People's Republic of China

To the Managers as to English law

Freshfields Bruckhaus Deringer
11th Floor
Two Exchange Square
8 Connaught Place
Central, Hong Kong

To the Managers as to PRC law

Jingtian & Gongcheng
34th Floor, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District, Beijing
People's Republic of China

To the Trustee as to English law

Allen & Overy LLP
50 Collyer Quay
#09-01 OUE Bayfront
Singapore 049321
Singapore

INDEPENDENT AUDITOR OF THE ISSUER

Da Hua Certified Public Accountants (Special General Partnership)
12th Floor, Tower 7
16 Xisihuanzhong Road
Haidian District, Beijing
People's Republic of China

ANNEX B
ADDITIONAL INFORMATION REQUIRED PURSUANT TO THE DFSA'S MARKETS RULES

DESCRIPTION OF THE COMPANY

Incorporation Details

The Company was incorporated with limited liability in the PRC on 22 December 2008 with company registration number 91640100670446204G and has remained incorporated since then.

The Company's registered office address and principal place of business is 9th Floor, Business Building, No. 2 Liberation West Street, Xingqing District, Yinchuan City, Ningxia Hui Autonomous Region, People's Republic of China and its contact phone number is +86 951 5617296.

In this Annex, references to: "**UAE**" are to the United Arab Emirates and "**PRC**" are to the People's Republic of China.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details relating to Directors and Senior Managers

There are no potential conflicts of interest between the personal interests of the directors, members of the Board of Supervisors, and senior managers of the Company and their duties owed to the Company.

GENERAL INFORMATION

Approval of the Offering Document, Admission to Trading and Listing of Bonds

The total expenses relating to the approval of the Offering Document by the DFSA, together with the admission of the Bonds to the official list of securities maintained by the DFSA (first issuance), are estimated to be U.S.$12,000. The total expenses relating to the admission to trading of the Bonds on NASDAQ Dubai are estimated to be U.S.$8,500 (first issuance).

Listing and Admission to Trading

Listing and Admission to trading Application has been made by the Company (or on its behalf) for the Bonds to be admitted to the Official List maintained by the Dubai Financial Services Authority and to trading on NASDAQ Dubai with effect from 30 October 2017.

Industry and Market Data

Market data and certain industry forecasts used throughout the Offering Circular have been obtained based on internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed by the Company to be reliable and accurate and the Company confirms that the information has been accurately produced and that as far as the Company is aware and is able to ascertain no facts have been omitted which would render the reproduced information inaccurate or misleading.

Legal and other Proceedings against the Company

Neither the Company nor any of its subsidiaries (together, the "**Group**") has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of the Offering Circular which may have, or have in such period, had a significant impact on the Company's and/or the Group's financial position or profitability.

Audit and Auditors

The current auditor of the Company is Da Hua, Certified Public Accountants (Special General Partnership) of the The Chinese Institute of Certified Public Accountants and Beijing Institute of Certified Public Accountants.

The Company's Consolidated Financial Statements as at and for the years ended 31 December 2015 and 2016 were prepared and presented in accordance with PRC GAAP and have been audited by Da Hua in accordance with China Standards on Auditing and Quality Control.

China Standards on Auditing and Quality Control are substantially in line with the standards of the International Auditing and Assurance Standards Board ("IAASB"). There are no material differences between the China Standards on Auditing and Quality Control and the ISAAB standards with respect to the Company's audit for the years ended 31 December 2015 and 2016.

As set out in the Offering Circular on page 67, the Group structure changed at the end of 2014, consequently the Company does not have audited consolidated financial statements for the current Group structure available for periods prior to the financial statements which appear in the Offering Circular.